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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Russia reveals mass resettlement plans as inefficient pits are closed

Thousands of miners to leave Siberia

By Chrystia Freeland in Moscow

About 50,000 Russian coalminers and their families, who face redundancy as pits in the far north of the country are shut down, will be resettled by the Russian government, senior officials from the industry said yesterday.

The miners and their families, who live in barely habitable Siberian settlements where the pits are the only source of employment, represent a larger social problem which Russia is confronting, as inefficient factories are beginning to shut down in remote areas of Russia.

Siberia is filled with cities, like the mining towns, whose entire populations could be left jobless and with little possibility of finding employment elsewhere if the Russian government resists pressure to bail out failing state factories with inflationary soft loans.

The social ripple-effect of industrial closures is exacerbated by the role Russian mines and factories have traditionally played as the main providers of social welfare facilities in the towns and cities where they were located.

"We do not intend to throw anyone out on the streets," said Mr Yuri Malyshev, head of Rosugol, the state coal producers' association. "We are talking of veterans here who have worked all their lives in the north and are now impoverished in conditions of hyperinflation."

He said that 50,000 coalminers and their families from the mining settlement of Vorkuta and the northern region as a whole would be moved over the next few years.

However, so far only 500 families have been resettled in more hospitable southern

areas of the country, and to date Rosugol has acquired a total of only 1,800 flats for the hard-pressed mining families.

The Russian government is facing growing pressure from cash-strapped industries and agriculture to release more funds but fears triggering a new round of inflation. It has earmarked Rb500bn (\$140m at the market rate) for the resettlement programme this year, but Mr Malyshev said that only part of the money had so far been released to Rosugol.

Russian coal production was down 12 per cent in the first half of this year, compared with last year's figures, as the industry, confronting a depletion of reserves and crumbling infrastructure, struggles to restructure.

Mr Malyshev said that 37 mines and one open cast pit had to be shut if the coal industry was to adapt to Russia's new, tougher, economic climate. However, so far only one mine, the Khaimur-U in Vorkuta, has been closed.

The high social cost of the Russian government's fiscal and monetary austerity was further underscored yesterday when 3,000 farmers called for President Boris Yeltsin's resignation at a rally in Moscow.

The farmers, trapped in the country's growing debt crisis, said the government paid for last year's crop several months late, a time lag which allowed inflation to consume part of the farmers' revenues.

At the demonstration, which included an address by Mr Gennady Zyuganov, the Communist party leader, farmers also complained that financially squeezed Russian factories were unable to supply sufficient and timely agricultural inputs and machinery.



Parisians in vintage vehicles parade through the city's streets in celebration of the liberation of the French capital 50 years ago from German wartime occupation

Fireworks - and politics - mark commemoration of Paris liberation

French rivals wave their flags

By David Buchanan in Paris

The successors of General Charles de Gaulle yesterday used the commemoration of the 50th anniversary of the liberation of Paris to promote their rival presidential bids, with Mr Jacques Chirac wrapping himself firmly in the mantle of the late general and Prime Minister Edouard Balladur presenting himself as the unity candidate representing all conservatives.

Their language was inevitably coded, given the nature of the occasion and the fact that neither is yet a formal candidate. The French press, however, was quick to interpret Mr Balladur's citing of the call of General Leclerc, whose French division freed Paris, for an end to "fractious divisions" as reflecting the prime minister's own strategy to unite the centre-right behind him. It saw in Mr Chirac's fulsome repetitions of De Gaulle's commentaries on the events of 50 years ago an attempt to ensure that the RPR neo-Gaullist party lines up behind him.

This commemorative summer of wreath-laying and speech-making about the final year of the second world war, taking French dignitaries and Resistance veterans to the beaches of Normandy in June and Provence earlier this month, has been largely free of internal politicking. But at

these earlier ceremonies Mr Chirac and Mr Balladur were both said to have felt that President Mitterrand somewhat underplayed the role of the French Resistance, and thus saw in this week's events in Paris a chance to redress the balance.

Both, however, have vied to be the one to do the redressing. As mayor of Paris, Mr Chirac has been busy at centre stage, though taking time off to give interviews this week complaining that successive Gaullist governments - and by implication Mr Balladur's - have lost sight of the "social goals" of the revered general. Not to be left entirely in the wings, Mr Balladur is today giving his own reception for Resistance heroes.

The celebrations climaxed yesterday with a procession taking the route into the city of Gen Leclerc's armoured division, in a repeat of the feat of the lone fireman who climbed the Eiffel Tower to hoist the tricolour, and in a mass rite on the Place de la Concorde preceded by chain explosions of fireworks along the bridges of the Seine. Today sees Gen de Gaulle's march down the Champs Elysees commemorated.

The progression of the liberators through Paris was last night marked by a fireworks spectacular successively lighting up the city's bridges, symbolically detonated by water-skiers passing under them.

The peaceful explosion of the 10 tonnes of fireworks was an indirect reminder of the main bridges and buildings 50 years ago and which Hitler ordered to be detonated.

But for the mediation of an exceptional Swedish consul, Raoul Nordling, and the Nelsonian blind eye that the German commander, Gen Dietrich von Choltitz, turned on Hitler's orders, Paris might have met the fate of Warsaw whose uprising and buildings were destroyed three weeks earlier, while nearby Russian troops stood by. Gen Leclerc's US superiors wanted to push on without being distracted by freeing and feeding Paris, and thus only gave him the go-ahead to march on Paris three days after the uprising had started.

Had this delay been fatal to Paris, it would have turned the chip-on-the-shoulder that some French still bear about having their country liberated by the "Anglo-Saxons" into a deeper enmity like that between many Poles and Russians. As it turned out, there was nothing to mar the welcome for Allied troops following Gen Leclerc - and Ernest Hemingway - into Paris. Last night the Ritz Hotel unveiled its bar revamped in honour of the American writer who "liberated", and drained it, on August 25, 1944 and who later said his dream afterlife was always the Paris Ritz.

Moscow stalks Chechens' rebel state

The mountain region's independence looks increasingly shaky, writes Steve LeVine

The embattled government of the break-away Russian region of Chechnya brought thousands of supporters by bus to the capital Grozny yesterday to defend its stand against political challenges from Moscow and armed local rivals. This was all very well, except for the 10,000 people gathered at an opposition rally five miles away, celebrating - mistakenly - the supposed resignation of President Dzhokhar Dudayev.

Nearly three years ago, the Chechens, a mountain people in the Caucasus renowned for their fierce military traditions, asserted their independence from Russia with Mr Dudayev, a charismatic former Soviet air force general, as their leader. Over the past few months, however, the sovereignty of the increasingly impoverished region, and Mr

Dudayev's rule, have been threatened as Moscow has sought to bring the rebels to heel and internal opposition has grown.

"Russia still wants to enslave us," Mr Dudayev - clearly still in office - told about 3,000 supporters gathered yesterday in Grozny's central square. "Russia has declared there can be no free republic inhabited by free people." Some 15 black-clad presidential guards, their Kalashnikovs at the ready, stood on a balcony above Mr Dudayev as he spoke while dozens of his backers in the square below broke into the frenetic dancing, chanting and drumming of the mystical Islamic Sufi sect. "We are dancing in support of Dudayev and the sovereignty of the country," said Mr Akhmed Makhludov, a local Islamic religious leader.

At about the same time, in the nearby town of Sochna, Mr Ruslan Khasbulatov, the former leader of the Russian parliament who was ousted last year after a bloody power struggle with President Boris Yeltsin, declared that Mr Dudayev's government had been dissolved.

An ethnic Chechen who has returned to his homeland in an effort to launch a political comeback, Mr Khasbulatov made his claim at a rally of heavily armed opponents to Mr Dudayev's regime. Among their weapons were two Russian army helicopters. Some opposition leaders have said they have been armed by Russian military.

The two political rallies came against a backdrop of an increasingly tense tug-of-war between a Russian government trying to keep the federa-

tion together, and the maverick Mr Dudayev. Over the past three years the Chechen leader has repeatedly challenged Moscow's suzerainty over his oil-rich north Caucasus republic, and in the past month Mr Yeltsin has stepped up pressure to topple him.

Local analysts do not expect Mr Dudayev to be ousted soon but they say his conflict with Russian-backed opposition forces is coming to a head.

The power struggle is complicated by the intricate clan-based loyalties which dominate local politics, and the region's unforgiving warrior traditions. One product of this culture is Mr Ruslan Labaznov, a 28-year-old warlord who appears to have taken control of a region 100km north of Grozny.

Formerly a Dudayev supporter, he declared a blood feud against the president last month and has now emerged, seemingly heavily armed, in support of Mr Khasbulatov.

Mr Dudayev's regime has been marked by his reliance on armed force and the effective support it has enjoyed from a powerful, locally based mafia which reaches into Moscow, other areas of Russia and even western Europe. Mr Dudayev has also successfully tapped his people's deep-seated hostility towards Russia based on a centuries-old struggle for independence and on Stalin's mass deportation of Chechens to Central Asia after the second world war.

Russian government efforts to unseat Mr Dudayev, which include a fierce rhetorical attack in the media but have fallen short of direct military intervention, have increased as lawlessness has spread from Chechnya to other areas of southern Russia.

A turning point for Russian public opinion came last month when Chechen nationalists kidnapped several people in the nearby Caucasus city of Mineralnye Vody. Five of the hostages were killed in the rescue attempt.

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Pension reform a key to Italy's budget problems

Two blind Italians have just come under police investigation. One is apparently a sharpshooting huntsman; the other drives a van for the local education authority. Both claim a state disability pension and an allowance for a sighted companion, which is good news for other drivers, but bad for

ducks and the Italian Treasury. They are among the first targets of a nationwide sweep to eliminate widespread fraud in the state's invalidity pension scheme. They are also being cited by Italian ministers and the media as symbols of Italy's state pensions crisis.

Pensions reform is by no means the only challenge facing Mr Silvio Berlusconi's government as it returns today from a short summer holiday. But analysts believe it may be the key to unlocking the central problem of Italy's public finances, posed by Mr Lamberto Dini, the Treasury minister, before the summer break: how to cut the budget deficit to L13,300bn (\$57bn) or 9.4 per cent of gross domestic product next year, compared with L15,400bn (\$63bn) estimated for this year.

The government needs to find L45,000bn over the next year by raising revenue and cutting spending. According to one undersecretary at the Treasury, that figure could rise to more than L50,000bn, because of the additional cost of financing the national debt following the half-point rise in interest rates earlier this month.

Mr Dini outlined some of the likely budget measures in July. They include an amnesty on the backlog of tax assessment cases which could generate

Andrew Hill reports from Milan on a move which would not only yield much needed savings but represent, in theory at least, a permanent structural change in the country's public finances.

L15,000bn of new revenues, and a similar pardon for buildings constructed without proper planning permission which could raise a further L5,400bn.

The significance of pensions reform in this complicated equation is not that it could supply a further L7,000bn-L8,000bn of savings in 1995, but that it would represent, in theory at least, a permanent structural change in Italy's public finances.

The bare statistics supplied by INPS, the national pension fund, illustrate the extent of the problem. According to figures released earlier this year, INPS expects to pay out L250,973bn in pensions and social assistance for 1994, while receiving only L178,823bn. The shortfall is covered by transfers from the Treasury, which helps explain why Mr Dini was one of the only government ministers not to take any summer holiday.

Industry and investors are pressing for swift and decisive action to tackle the problem. "What's needed is an across-the-board solution based

on strong principles of equity for everybody," said Mr Stefano Micossi, head of the research unit of Confindustria, the Italian employers' federation, yesterday.

Such a solution, according to Treasury sources, would require an end to a number of obvious anomalies in the Italian system.

● Fraud. This is the area where there is probably the greatest consensus, although there are differences of opinion about the extent of the problem and whether it should be solved, like other fraud problems inherited from Italy's corrupt old system, with an amnesty for blind drivers and their like.

● Pensionable age. Mr Giuliano Amato, when prime minister, proposed a harmonisation of pensionable age to 65 for men, and 60 for women - but only by 2002. This is too slow, Treasury sources suggest, especially as workers in different sectors are entitled to retire at different ages.

● The yield for calculating pensions. Italians accumulate

pension provisions at a faster rate than do citizens of most other European countries - 2 per cent a year. Thus, after only 15 years of contributions, Italians are already entitled to a pension worth 30 per cent of their average salary in the final years of employment. The average figure in France is 1.13 per cent, and in Germany 1.5 per cent.

● Pensions paid to workers. Certain pension benefits continue to be paid to workers who retire from one job, only to start a second career, for example as self-employed shopkeepers.

Even if all these problems are solved, the government may still have to find a way to deal with a constitutional court ruling earlier this year, which could oblige the state to pay more than L30,000bn to top up existing pensions. Perhaps sensibly, the Treasury is waiting for confirmation of the legal position before acting.

The difficulty for the Treasury in tackling the basic

anomalies is that the prospect of cutting pension benefits is highly sensitive. Mr Clemente Mastella, Italy's labour minister, hinted in a newspaper interview published on Tuesday, that indiscriminate cuts would bring angry pensioners into the piazzas to protest. Labour unions are also keeping an extremely close eye on the plans, and the Treasury itself is likely to propose at first a range of solutions to the problem to avoid inflaming the first cabinet discussion.

In the past few days, however, the tone of the pensions debate has calmed somewhat. For one thing, the government has made it clear that there will be no attack on pension rights accumulated under the existing, albeit extravagant, system. Mr Mastella has also adopted a more sombre tone, warning that everybody will have to make sacrifices.

Mr Berlusconi's chief of staff said yesterday that public finances would not be on the formal agenda of today's cabinet meeting, but Treasury sources indicated that the government will be looking to submit a 1995 budget to parliamentary scrutiny well before the end-September deadline. Amid the political brouhaha, Mr Dini is certain of one thing: any delay is likely to be pounced on by the political opposition, and by the markets.

EUROPEAN NEWS DIGEST

Renault awaits sale decision

The French government confirmed yesterday that it will decide by mid-September whether to sell off part of the state's 80 per cent holding in Renault, amid signs that the prime minister, Mr Edouard Balladur, might keep 51 per cent in state hands to appease the car group's protesting unions. Renault's hands are caught up in conflicting pressures from the prime minister's office, which wants to apply the brake in the interest of maintaining labour peace, and from the industry ministry, which is pressing the accelerator for the car group's privatisation. Industry ministry officials claimed yesterday not to be deterred by Mr Balladur's political caution, because it indicated that the prime minister was seriously weighing the option of floating part of the company. The industry ministry is keen on privatisation before November 30 to take advantage of favourable disinvestment arrangements agreed with the Swedish car-maker Volvo. David Buchanan, Paris

Turkey raises interest rates

Turkey's central bank yesterday moved to quell recent currency turbulence by raising interest rates to 240 per cent from 70 per cent in the overnight market. Before trading opened yesterday the lira had lost 11 per cent against the dollar in two days. The nervousness follows three months of monetary stability, when the lira had been steady at around TL51,000 to the dollar, and interest rates had been moving down. The central bank's official opening price yesterday was TL55,200 to the dollar. After the central bank move, the rate had steadied to around TL34,000. The uncertainty resulted as traders moved to anticipate a large repayment of government bonds, issued initially at rates as high as 400 per cent as the government sought to finance its budget. John Murray Brown, Ankara

Germans settle property claims

The German federal office for the regulation of property questions, which was set up to deal with outstanding property rights claims in eastern Germany from both the Nazi and Communist eras, yesterday announced it had settled 38 per cent of all claims by last June, excluding enterprises. More than 43 per cent of all claims for businesses have also been settled. The office, which expects it will take another 10 years to clarify the remaining claims, had originally registered 1,248m claims for 2.8m property titles. Berlin and the state of Saxony-Anhalt have resolved only 20 per cent and 31 per cent respectively of all enterprise claims largely because both regions had sizeable Jewish communities and in many cases it has been difficult to trace descendants. Judy Dempsey, Berlin

Romania detains pyramid chief

Romanian police said yesterday they had detained the owner of the collapsed pyramid investment scheme, Caritas, which siphoned off the savings of millions of people. Former book-keeper Mr Ion Stoica was brought to Bucharest on Wednesday from the Transylvanian city of Cluj, where angry savers have been campaigning to have him brought to trial. "Stoica is accused of crimes listed in the financial law as misappropriation of bookkeeping documents, falsifying bankruptcy, forgery and fraud," a police statement said. Caritas collapsed last year after attracting an estimated \$1bn in investments from up to 4m Romanians. Reuter, Bucharest

Kuchma appoints advisers

Mr Leonid Kuchma, Ukraine's new president, yesterday rounded out his circle of advisers by naming a new foreign minister. Mr Gennadiy Ushakov, whose appointment awaits parliamentary approval, was Ukraine's permanent representative to the UN while Ukraine was still part of the Soviet Union, and has been Ukraine's ambassador to Poland since 1991. This week Poland and Ukraine announced efforts to promote trade by improving transit links between Odessa on the Black Sea and Gdansk on the Baltic Sea. With parliament in recess, in the past two weeks Mr Kuchma has also appointed Mr Yuri Yashynov to run Ukraine's faltering privatisation programme and Mr Serhiy Ouyka as minister of foreign economic relations. These appointments have been welcomed by Kiev's business community. Matthew Kaminski, Kiev

Russia sends cholera taskforce

Russian interior ministry troops have been sent to the Dagestan region on the Caspian Sea to prevent a cholera epidemic from spreading. Bar-Tass news agency said yesterday. A spokesman called the measure "forced and temporary", saying the force was specially trained and equipped. At least 17 people have died from cholera, a further 500 are ill and 600 have been diagnosed as carrying the disease, which can kill in a few hours by severe dehydration from diarrhoea. A senior Moscow health official said on Wednesday that it would take until mid-October to eliminate the epidemic. Reuter, Moscow

Outcry over vodka price rise

The new leadership in Belarus raised vodka prices yesterday by 75 per cent and hard-pressed drinkers accused President Alexander Lukashenko of going back on election promises to make food and drink cheaper. The price of a 0.7 litre (11 oz) bottle leapt to 6,900 Belarusian rubles (\$2.50). Mr Lukashenko won last month's presidential election by a landslide on pledges to root out corruption and roll back price increases for food and drink. But since taking office, he has appointed a reformist prime minister and resolved to introduce market measures quickly and to tackle alcoholism. Yesterday's price increase for vodka was the second since his election and prices of bread and milk have risen fivefold. Reuter, Minsk

ECONOMIC WATCH

E German industrial output up

Eastern Germany

Manufacturing production Annual % change

40

30

20

10

0

-10

-20

Source: Destatis

1992 93 94

increased only by 3.4 per cent year-on-year and fell by 6.7 per cent between May and June. The mining sector, mostly brown coal or lignite, fell by 13.6 per cent year-on-year, and rose 4.4 per cent in June compared to the previous month. Judy Dempsey, Berlin

■ Consumer spending in the Netherlands rose 1.5 per cent in real terms in the second quarter from last year, the Dutch Central Bureau for Statistics said yesterday. That gain was sharply narrower than the 2.8 per cent real increase in the first quarter. AP, The Hague

■ France's current account showed a seasonally adjusted surplus of FF1.14bn (\$18m) in May after a revised FF2.78bn surplus in April, the economy ministry said.

■ French housing starts continued to show gains in the three months to July. Figures from the housing ministry showed work began on 73,200 homes in the three months from May to July compared with 71,700 in April-June. May-July housing starts were 23.0 per cent up on the same 1993 period.

Zedillo plans boost to pace of reform

By Stephen Fidler and
Damian Fraser in Mexico City

Mr Ernesto Zedillo, the victorious candidate in Mexico's presidential election, has outlined plans to intensify political reform, saying he aims to change the ruling party and make the country's election machinery completely independent of the government.

Mr Zedillo said in an interview he intended to pursue dialogue with other parties in an attempt to create a common political platform to advance reform. "I would like to see in the first place a direct dialogue with all the parties and if possible, the candidates."

The election proposals of the three main parties coincided in important areas, he added. This should allow a common platform to be advanced in areas such as the economy, social policies, judicial reform and democracy.

The opposition parties have yet to respond to Mr Zedillo's

call. Mr Cuauhtémoc Cárdenas of the leftist opposition insists the election was fraudulent, and observers dismiss the possibility of any common platform.

Mr Zedillo was "in total agreement" with proposals to make the Federal Electoral Institute, the Interior Ministry arm which runs Mexico's elections, fully independent of the government.

After an election campaign in which the ruling party outspent its rivals and received more TV coverage, Mr Zedillo said he was willing to discuss making election campaign conditions more equitable.

Asked if he would include members of the opposition in his cabinet, he said the Mexican constitution did not allow for coalition governments.

But "I would not discount including independents or people belonging to other political parties that could be of enormous utility or service in the next cabinet."

Sunday's voting had also

given him a mandate to reform the ruling Institutional Revolutionary Party and give it more internal democracy. "I don't think it's an insoluble problem. In the next few months, we are going to be working at this."

"What I want before assuming the presidency is to leave some ideas for the reform of the party, some terms of reference over the direction of this reform."

Part of this might eventually involve the PRI chairman being chosen by a collective decision of the party, rather than by the president as at present.

Mr Zedillo said the margin of his victory (the final figures suggest he was 23 percentage points ahead of his nearest rival) would not deflect him from pursuing the reform.

He attributed his victory to three factors: the strength of the party, the favourable evaluation of President Salinas's government, and the ruling party's positive and intense campaign.

Dual assault exposes Fujimori flaws

There is a bleaker side to the 'economic miracle' in Peru, writes Sally Bowen

The bitter feud within Peru's first family continues to dominate the country's political centre-stage - with President Alberto Fujimori this week stripping his wife, Ms Susana Higuchi, of first lady status after she persisted in allegations of corruption against cabinet ministers. Behind the scenes, however, the agenda for next April's general elections is starting to take shape.

Since his arrival in the Peruvian capital a week ago, Mr Javier Pérez de Cuéllar, former UN secretary-general, has been closeted in meetings with a series of prestigious economic analysts. Mr Pérez de Cuéllar has not yet formally announced he will run against Mr Fujimori - who has also still to declare an official candidacy - but his public addresses hint more strongly each day at the substance of his eventual campaign.

The suggestion that an elderly former diplomat might pose a serious threat to the buoyant Mr Fujimori provokes incredulity among many businessmen, both Peruvian and among the increasing numbers of foreigners who are flocking back to Peru to seize investment opportunities. "Fujimori is the best president this country's ever had," said one leading Peruvian manufacturer. "We couldn't be so incredibly stupid as to reject him."

Indeed, most macroeconomic indicators suggest things are coming right for long-beleaguered Peru. Inflation this year should be below 20 per cent, down from a staggering 7,000 per cent when Mr Fujimori took office in 1990. After expanding 7 per cent last year, GDP growth could top 10 per



Man in the middle: Alberto Fujimori (centre) is coming under increasing pressure from his wife Susana Higuchi and Javier Pérez de Cuéllar, the former UN secretary-general

cent in 1994. International reserves, at more than \$5bn (£3.2bn), are the highest in Peru's history.

Equally important, after more than a decade of terror and killing, guerrilla activity has virtually ceased. Mining and petroleum exploration and development has been resumed in many remote areas of the country while dozens of foreign concerns are either returning or setting up Peruvian offices for the first time.

But there is a bleaker side to the Peruvian "economic miracle", which both Ms Higuchi and Mr Pérez de Cuéllar have pinpointed. Only one in 10 Peruvians of working age is judged "adequately" employed; another eight survive through subsistence agriculture or a host of "informal" activities outside the legal economy.

Reform of the bloated state apparatus has pushed tens of

thousands of former civil servants and state company employees on to the street, literally. They have swollen the army of informal vendors eking out a living in the centre of Lima.

For the 300,000 or so young people who join the national workforce each year, the task of finding secure employment is all but hopeless.

Attending to the nation's poor has not, so far, been a priority for the government. In the early days of the Fujimori administration, as food subsidies and price controls were eliminated, the need to re-establish a working relationship with the multilateral organisations was more urgent. Repayments to the International Monetary Fund and World Bank cost the Treasury in a month what the social emergency programme doled out in a year.

More recent efforts to create a "compensation" programme similar to that designed for post-stabilisation Bolivia have been only partially successful. The Foncodes fund has for the past two years been channeling cash to community projects, focusing on small building projects, drinking water and sewerage systems.

Now, in this pre-election year, the government finds itself swimming in cash from privatisation. The IMF has authorised spending of up to \$576m on "social" programmes. But Foncodes does not have the organisational capacity to spend more than about \$120m. Other hastily hatched plans to funnel more money into health posts and schools may succeed in spending about the same amount again.

Multilateral organisations such as the World Bank and the Inter-American Develop-

ment Bank which have resumed lending to Peru are pouring money into upgrading infrastructure. Several hundred million dollars will, by 1995, have been pumped into road and bridge repairs; poverty alleviation is limited to, at best, inadequate food handouts and short-term palliatives.

Ms Higuchi has emerged in recent weeks as one of Mr Fujimori's harshest critics amid the couple's highly public falling out, fuelling rumours that she harbours political ambitions herself. She has made a series of attacks on her husband's regime, accusing him of personal authoritarianism and neglect of the "human factor" in the economic programme.

"There is too much emphasis on infrastructure," Ms Higuchi said. "The head of a household can't promise a fine mansion but keep his family starving whilst it is being built." These close to Mr Pérez de Cuéllar say his eventual campaign platform will echo this theme and propose reorienting Peru's economic programme to further-reaching solutions to unemployment and poverty. This would imply tougher negotiations with the IMF.

World Bank and IADB and, possibly, a halt to the breakneck privatisation of state assets.

"So far no one's taken a long hard look at where Peru is going," says Mr Francisco Sagasti, a former senior World Bank official now heading a Lima research institute. "Pulling the neo-liberal economic model back to the centre from the extremes where it's been for the past four years and renegotiating with the multilaterals would make a lot of sense."

Venezuela acts over economy

By Joseph Mann in Caracas

Venezuela's cabinet this week approved an outline economic stabilisation plan designed to attack inflation and bolster government revenues. Approval of the final version is expected next week.

The move has been prompted by a deteriorating economic background. Venezuela's GDP contracted by 1 per cent last year and the recession has deepened this year.

Officials have not released details of the programme, but it is expected to include the following elements:

- Staggered increases in the retail price of petrol on the domestic market. High-octane petrol currently only costs about 13 US cents per US gallon at the pump in Venezuela, which loses PDVSA, the

national oil company, millions of dollars a year and cuts potential income to the Treasury. The government hopes to offset the effects of higher prices by giving a special monthly bonus to workers.

- Commitment to reform the system of accumulated severance benefits for workers. The present system carries a high cost for public and private sector employers and discourages the creation of new jobs.

- A new type of government bond, denominated in dollars (or linked to the value of the dollar), which is meant to replace zero-coupon bonds issued weekly by the central bank to absorb excess liquidity in the financial system. The government believes that the zero-coupon bonds, denominated in Venezuelan bolivars, carry an excessively high cost.

Argentina drops blast accusations

Argentina's Supreme Court yesterday dropped accusations against Iranian officials who were named over an anti-Jewish bomb attack last month in which nearly 100 people died. Reuter reports from Buenos Aires.

The court decided there was insufficient evidence against the officials and voted to pass the case back to investigating Judge Juan José Galeano, members of the court said.

In his report on the bombing, Judge Galeano named four Iranian officials as wanted in connection with the July 18 attack that razed Argentina's main Jewish community centre.

Under Argentine law, the Supreme Court would take on the case if foreign diplomats or officials were suspected to be involved.

Higher rates continue to hit US home sales

Sales of existing homes in the US fell by 0.3 per cent in July from June, the third consecutive monthly decrease, as demand for housing continued to be squeezed by rising interest rates, the National Association of Realtors announced yesterday, writes James Harding in Washington.

The drop in sales to a seasonally adjusted annual rate of 3.95m units follows a 3.6 per cent decrease in

June and a 0.3 per cent fall in May. Sales of previously owned homes have fallen in five of the seven months since January as demand has been hurt by rising interest rates on mortgages, triggered by rate increases from the Federal Reserve which has been tightening credit to hold down inflation.

Although the resale rate was down in July from June, it was up 2.6 per

cent on the same period a year earlier. Mr Robert Elrod, president of the National Association of Realtors, said he was encouraged that existing home sales were higher than last year even though mortgage rates had risen. "Apparently consumers realise that purchasing a home is still a sound investment," he said.

At the current rate, existing home sales this year would be the second

highest on record, despite fluctuations in mortgage rates, he added.

The Federal Home Loan Mortgage Corporation reported the average commitment rate for 30-year fixed-rate mortgages was 8.62 per cent in July, up from 8.43 per cent in June.

The national median price for an existing single-family home was \$111,500 (\$71,535) in July, down 1.3 per cent from the June figure of \$112,800.



We're at the leading edge of fashion for the late 1990's.



And also from the early 1300's.

In Mansfield, Nottinghamshire, last year, we opened the world's most sophisticated and technology intensive textile facility, producing lightweight polyester fabrics for fashion and other industries.

And while the plant is relatively new, it reflects a European presence of much longer duration. Dating back to the 1920's, when our very first production facility, for viscose rayon, was largely planned by engineers from the U.K., Germany, and Italy. Continuing through 1957, when the technology for our first polyester production was transferred from ICI

of the U.K. And extending to the present, as that original technology returns to England, considerably grown in refinement and volume.

But we don't just have a business relationship with Europe. We also have a cultural alliance. Supporting European performances of ancient Noh drama, whose traditions date back some 600 years, as well as art exhibitions at the Courtauld Institute Galleries, and opera.

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مكتبة الأمل

Japanese capital spending continues to fall

By Gordon Cramb in Tokyo

Domestic capital spending by Japanese companies remains on a downward trend and may not recover even by the year which ends in March 1996, according to an annual survey released yesterday by the Long-Term Credit Bank of Japan.

Across all industries, planned outlays on plant and equipment were down 2.1 per cent for the year to March while initial expectations for the following year indicated a further 1.7 per cent cut. That would make a fourth consecutive year of decrease, although LTCB said it saw "a strong possibility that plans will be revised upward" next year, with "some faint but positive signs" of recovery already beginning to emerge. However, there was little chance that any extra funds committed would be substantial, it added.

The poll of 1,069 companies, largely its own customers, produced a gloomier outlook than a similar survey unveiled last week by Nippon Credit Bank, another big lender to industry. NCB's data projected a dip of 1.1 per cent this year and 0.9 per cent next.

Manufacturers polled by LTCB said they intended to cut outlays by an average 3.3 per cent this year but by a sharper 8.3 per cent in the 1995 fiscal year. This largely reflected the contraction of old industries such as steelmaking and pulp and paper.

Both banks identified a revival in expenditure by the automotive and electric machinery sectors, but in each case commitments showed signs of tapering off after this year. Electronics producers are benefiting from strong world demand for semiconductors and liquid crystal displays, while car makers began their capital investment cuts earlier than most.

In the service sector, excluding electric power and leasing companies, the LTCB showed cuts in investment of 6.3 per cent this year moderating to 6 per cent in the following term. Overall, the bank said that "unlike last year, which was marked by consistent reductions, investment has clearly begun to recover in some industries and stopped declining in others". It also said the yen value of domestic investment plans had been held down by cheaper raw materials and land.

Reflecting wary consumer sentiment, meanwhile, nationwide department store data for July yesterday showed a 1.8 per cent year-on-year decline, the 29th successive monthly fall. But the Japan Department Stores Association said less lavish corporate gift purchases were partly to blame. Clothing sales, up 0.7 per cent, showed their first rise in two years.

Taiwan to sell off bank

State-owned Farmers Bank of China has been added to a list of 22 state-run companies destined for privatisation, Laura Tyson writes from Taipei.

In a stock exchange listing set for November, the government will cut its stake in the bank to 61.5 per cent from 92.3 per cent through an offering of 250m shares, a bank spokesman said.

Taiwan first announced a privatisation scheme in 1989 in which 22 state-run companies would be sold off to raise \$20bn (£13bn) for central government coffers. But progress was set back by bureaucratic resistance, workers' protests and a volatile stock market. Just three state companies have been privatised to date - Chung Kuo Insurance, BES Engineering and China Petrochemical Development.

China's golden era 'to last well into next century'

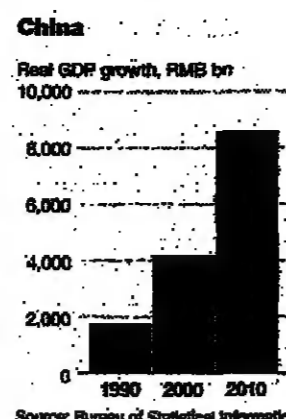
But while industrial progress is rapid, the way ahead is fraught with problems, Tony Walker reports

Prof Li Jingwen's splendid vision of China for the next two decades is for a "golden era of industrial revolution" which began 15 years ago and is likely to last well into the next century.

But the 60,000-character study, prepared by China's prestigious Academy of Social Sciences under Prof Li's direction, makes it clear that, while the country is industrialising rapidly, the path ahead is also fraught with difficulties.

China's main problem in achieving an enormously complex transition to a modern industrialised state is managing its vast, unwieldy population which is literally "on the move".

A huge displacement of surplus rural labour poses perhaps the greatest threat to public order. Beijing is also under enormous pressure to find jobs



Source: Bureau of Statistical Information

for a sea of unemployed peasants and urban youth.

"At present China has more than 100m surplus farm labourers, and every year another 15m are added," said Prof Li. If China was to absorb its unemployed there was no choice but

to maintain high rates of growth.

Prof Li, who is director of the Institute of Qualitative and Technical Economics, said his team had focused not so much on statistics in its study, but on discerning trends in society in the next two decades. Among the academy's conclusions are:

- China would remain a developing country, but an increasing number of Chinese would become middle-income earners like their counterparts in South Korea and Taiwan;
- Chinese savings rates at a forecast 34 per cent would remain high to the year 2010;
- Expenditure on "non-food" items such as consumer durables would continue to grow, relative to spending on staple commodities;
- A wave of small towns and county centres would be established in the Chinese countryside by the end of this century;
- China would be obliged to grapple with increasing problems of an "ageing" population from the year 2000;
- The trend towards smaller families would continue and divorce rates would rise;
- China's rapid economic development, averaging 8.25 per cent annually to 2010, would be fuelled by continuing high rates of consumption and investment;
- Heavy industry, including petrochemicals, would grow faster than light industry and after that, service industries, including finance, would show the swiftest growth;
- Foreign investment would continue to pour into China, with a trend towards larger projects involving "multinationals", as the benefits of the country's huge domestic market became more apparent;
- China's exports would reach \$435.7bn (£290bn) in 2010, a quadrupling of the figure expected this year.

In urging strong measures to ensure orderly and sustained economic growth, the study

'China has 100m surplus farm labourers, and each year 15m more are added'

called for a strengthening of reforms of the taxation system to increase revenues; an increase in interest rates to redirect funds to more productive sectors; further rationalisation of faltering state-owned enterprises, and measures to

prevent the outflow of capital.

The study, pointedly, devotes a chapter to environmental pressures, which are looming as perhaps the most worrying consequence of China's continuing "double digit" economic growth of 13 per cent in the past two years.

Prof Li said China was "backward" in protecting its environment and huge investment was required. "Although the central government is doing a great deal to improve environmental consciousness, it has met a lot of resistance at the grass roots."

The study forecast that for a "relatively long period" the gap between coastal and inland regions would "grow larger". But it also predicted that six distinct economic regions would emerge in China. These were:

sphere, with Guangzhou at its centre, and linked with Hong Kong, Taiwan and Macao;

- A Yangtze economic sphere focused on Shanghai;
- A Bohai rim centred on Beijing and Tianjin;
- A north-east sphere based on Harbin;
- North-west China bordering Central Asia;
- A south-west region with Kunming at its focus and linked with south-east Asia.

Prof Li said the academy was particularly concerned about the widening gap between rich and poor.

"We have urged the government to take drastic measures to resist this trend which is threatening to destroy the stability of society," he added. 1991-2010: Policy Choices of China's Economic Development - Chinese Academy of Social Sciences 1994



Israel's two chief rabbis, Ashkenazi Rabbi Yisrael Lau (right) and Sephardic Rabbi Elhanan Bakshi-Doron (left) surrounded by Israeli army and border police officers as they tour the grounds

of the Tomb of the Patriarchs in Hebron yesterday, six months to the day after the massacre of 30 Palestinians by an American-born Jewish settler, Baruch Goldstein. The incident

touched off months of bloodshed and disrupted the Middle East peace process. The tomb, holy to both Jews and Muslims, has been closed since the massacre. Both are demanding the site

be re-opened. Hebron is one of the most tense spots in the Israeli-controlled West Bank, as home to about 80,000 Palestinians as well as a Jewish enclave of 450.

Hyundai workers agree to end 63-day strike

By John Burton in Seoul

Workers at Hyundai Heavy Industries, South Korea's largest shipbuilder, yesterday agreed to end a 63-day strike that could prove to be a watershed in the country's labour history.

Analysis believes the conclusion of the strike may also signal the end of the widespread labour militancy that has plagued South Korea since the trade union movement was freed from state restrictions in 1987.

The industrial action at Hyundai was virtually the only long strike to affect Korean business this year, in sharp contrast to the nationwide labour unrest that embroiled the country just a few years ago.

Sizable wage rises and dwindling public support have been the main factors for the recent improvement in labour relations. Other trade unions once known for their militancy, such as that at Daewoo Shipbuilding, have quickly concluded pay agreements this year.

The strike at HHI confirmed the reputation of its workers for being the country's most aggressive, an attitude bred by the company's past authoritarian management practices.

But the strike exposed the dwindling influence of its union leadership. The HHI union was previously able to

trigger sympathy strikes at other Hyundai companies, but failed this year to gain such support.

Moreover, the final days of the strike revealed a split in the HHI union, with some workers rebelling against the leadership's hard-line stance. This led to violent clashes between the rival factions.

In its final settlement with the company, the union made a significant concession and agreed to accept the principle of no pay for no work. This is considered an important victory for the government, which has promoted the policy to curb strikes.

But the HHI workers will receive an 11.3 per cent rise in monthly pay and generous bonuses that will mostly cover wages lost during the strike.

The company also agreed to drop criminal charges against 49 activists who had led an occupation of the shipyard after executives ordered a lock-out earlier this month.

The company hoped the wage settlement will set a precedent for smoother labour relations. The strike is considered the most costly in HHI's history, with lost sales of Won473bn (£380m). HHI had set a sales target of Won4,000bn for this year.

Labour unrest has occurred almost annually since 1987, with severe strikes in 1989 and 1993, when sales losses amounted to Won300bn.

Philippines court lifts freeze on VAT plan

By Jose Galang in Manila

The Philippines Supreme Court yesterday ruled that a government-initiated law expanding the scope of the value-added tax system was constitutional, lifting a freeze it had ordered on its implementation nearly two months ago.

It was a significant victory for the government of President Fidel Ramos, which considers the law the "linchpin" in the major tax reform programme it has been pursuing. The ruling also removed the remaining obstacle to the government's medium-term economic programme that

recently gained International Monetary Fund support with a three-year credit worth \$634m (\$466m).

The issue has been the most divisive in the Philippines in recent years, fuelled mainly by suspicions that the new tax scheme would lead to huge increases in consumer prices.

VAT was originally introduced in 1988, but only a few sectors were covered. The system replaced 61 varying taxes with a 10 per cent charge on the sale of certain goods and services.

In the expanded VAT, 73 taxes are to be replaced by the single 10 per cent rate on services including telecommunications, road freight and other transport, lease and sale of real estate, hotels and motels, books, newspapers and broadcasting.

The law also allows VAT to be extended to banks and professional services within the next two years.

Mr Roberto de Ocampo, finance secretary, had explained that the expanded VAT system was aimed at "injecting honesty" into the local tax system, often characterised by evasion.

The Philippines' tax collection effort, about 15-16 per cent of gross national product, remains the lowest in south-east Asia.

The go-ahead for the VAT expansion should give the government better chances of collecting target revenues this year of 325.6bn pesos (\$26m), on which it pins its hopes for a 4.5 per cent overall economic growth.

The contested law was originally scheduled to be implemented last July, but several groups, including opposition legislators, challenged its legality before the Supreme Court.

They claimed that much of the expanded VAT law in its final form originated, not in the House of Representatives

which, under the Philippines constitution should initiate revenue regulations, but in a bicameral conference committee.

In handing down its verdict, the Supreme Court said a revenue measure was "not the exclusive prerogative" of the House to draft, but that the Senate could draft its own bill amending or even substituting for the House version.

The ruling was based on a 9-8 vote among the Supreme Court justices, indicating the intense debates that went into it. Since July 1, the justices have been meeting twice a week to deliberate on the case.

India eases capital inflows

By Nishi Tait in Sydney

India's central bank has lifted a ban on the repatriation of profits from the local bond markets and encouraged investment in property companies in two moves designed to attract greater capital from Indians living abroad. Reuter reports from Bombay.

The measures were included in a circular to banks following last Friday's move to make the rupee fully convertible on current account transactions. The Reserve Bank of India said it would let non-resident Indian companies acquire up to a 100 per cent of companies involved in housing, real estate, urban infrastructure, such as roads and bridges, building materials and financing of housing development.

Australian investment recovers

By Nishi Tait in Sydney

A recovery in Australian business investment finally got under way in the second quarter of 1994, with new capital expenditure for the three-month period showing a rise of 7.7 per cent in constant price terms.

This was higher than most analysts had predicted (most forecasts were around the 5 per cent mark) and follows a fall of more than 8 per cent in the first quarter. Spending on plant and equipment rose 14.4 per cent in real terms, while spending on buildings was down 5.4 per cent.

The better-than-expected figures have come as a big relief to the federal government.

Nigeria oil depot in full operation

By Paul Adams in Lagos

Anglo-Dutch Shell, which operates about half of Nigeria's oil fields, has restored the Forcados export terminal to full loading today, five days after the power was disabled by striking oil workers.

Shell, which normally produces about 1m barrels a day of oil, has lost on average half its production during the past three weeks of the six-week strike by the two labour unions, Nupeng and Peggassan, which are demanding an end to military rule.

Industry estimates show crude oil exports down by about 20 per cent. Overall losses by the other producers are put at about 15 per cent.

Despite pressure from the government, no significant return to work by oil workers has occurred. Last week the

government sacked the leaders of the two unions, legalising its action this week. The decree bans national and state union leaders, although Nupeng and Peggassan do not have state leadership but chapters for each oil company.

The chapters' leaders still exist and the oil producers are talking to them. The coming week will be a test of the unions' leaders, who have gone underground, and of the resolve of the ordinary membership to sustain a strike with no end in sight.

The strikers want Mr Moshod Abiola, presumed winner of last year's presidential election, freed from jail and installed in government. Mr Abiola is on trial for alleged treason after declaring himself president. The next hearing is due on Monday, before a new judge in the high court.

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BJP politician shot dead in Bombay

By Stefan Wagstyl in New Delhi and R.C. Murthy in Bombay

Bombay police yesterday increased security for the city's politicians, following the shooting of Mr Ramdas Nayak, local president of the right-wing Hindu Bharatiya Janata party and a strong critic of political corruption.

Mr Nayak, who was 53, was shot yesterday morning by two men on motorcycles armed with automatic rifles who pumped 54 bullets into his car near his home in central Bombay. Mr Nayak's police

bodyguard was also killed. Police believe Mr Nayak may have been killed by enemies in the criminal underworld. His death follows a string of incidents in the past 18 months which have highlighted connections between politicians and criminals in Bombay.

First, the investigation into the terrorist bombings last March in which more than 250 people died, revealed ties between some of the suspects and city politicians. Next, in May this year, Mr Sunet Khatau, a wealthy textile mill owner with political influence, was shot in his Mercedes car,

allegedly because of a property dispute.

In July, Mr G.R. Khairnar, a senior civil servant at Bombay Municipal Corporation, was suspended after he accused city politicians of corruption. Mr Khairnar's suspension caused widespread public protests and boosted a popular anti-corruption campaign.

This week, Mr Sharad Pawar, chief minister of Maharashtra state, which has its capital in Bombay, and a former defence minister, was alleged in court to have ties with the criminal underworld. Mr Uthas Joshi, a police dep-

uty inspector-general, claimed in a sworn affidavit that Mr Pawar had links with two named associates of Mr Dawood Ibrahim, an underworld boss wanted for questioning by police investigating last year's bomb blasts.

Mr Joshi is in court fighting an anti-corruption investigation against him which he alleges was launched unfairly at the behest of Mr Pawar.

Mr Pawar yesterday dismissed Mr Joshi's claims as untrue. Mr Nayak's killing was condemned by Mr L.K. Advani, the BJP's national president.

هكذا قال الامم

Go-ahead for controversial link to Stockholm's main airport

Swedish-UK groups win rail contract

By Christopher Brown-Hume
in Stockholm

One of Sweden's biggest infrastructure projects was launched yesterday when a \$1.45bn (£884m) contract to build a controversial rail link between Stockholm and the city's main Arlanda airport was awarded to a Swedish-British consortium.

GEC Alsthom and Mowlem from the UK will be responsible for delivery of trains, tracks and switches for the 28km link, while the Swedish companies NCC, Slab and Kraftbyggarna will carry out the construction. Work will begin next year and is expected to take four years.

The contract has been opposed by the opposition Social Democrats, the likely winners of next month's general election, who have said they will try to get out of it. The party wants a greater state involvement in the project.

Most of the financing will be private, although there will also be a government grant and loan. The consortium partners are expected to put about SKr700m of equity into the project and raise about SKr2m in the capital markets. Although the government will provide a SKr850m grant and a conditional loan of up to SKr1bn, it will not guarantee the private-sector financing.

The consortium says an passenger a year need to use the link by the year 2000 for it to break even. But the viability has been openly questioned, given the extent of competition from bus and taxi services and good road links.

Mr Mats Odell, Sweden's communications minister, said the project would have significant environmental benefits, with much road traffic switching to rail. If the state-owned Swedish railtrack and rail companies, Banverket and SJ, had won the contract it would have cost taxpayers SKr3bn more, he added.

GEC Alsthom was involved with Mowlem in the Manchester Metrolink - the UK's first privately financed rail project - and it was responsible for the turnkey delivery of London's Dockland Light Railway. NCC is Sweden's largest construction company in civil engineering.

The project will involve the construction of 28km of double-track railway for high-speed trains, three underground train terminals at Arlanda, and modifications to the central rail station in Stockholm. The consortium - which beat a rival bid from Asea Brown Boveri, Skanska and SJ - has a 45-year mandate to operate the shuttle, although all fixed assets will be handed over to the government in 1998.

Fresh bout of pipeline politics fuels scepticism

The signing in Tehran earlier this week of a \$7bn deal to ship natural gas from Turkmenistan to Europe via Iran and Turkey is the latest example of the "pipeline politics" being played out in the region.

Tehran radio reported on Wednesday that President Ali Akbar Hashemi Rafsanjani of Iran and President Saparmurat Niyazov of Turkmenistan dug a symbolic hole for the proposed 4,000km pipeline at a site south of the Iranian capital.

The plan calls for a gas pipeline with an initial annual capacity of 15bn cubic metres to enter Iran east of the Caspian Sea, pass through the cities of Shiraz and Semnan and bend south of Tehran towards Tabriz and the Turkish border.

"This is one of the biggest energy transfer projects in the world," according to Mr Ghulamreza Aghazadeh, the Iranian oil minister.

It would take six to eight years to build, with the Iranian section alone costing \$2.5bn. Tehran Radio quoted Mr Aghazadeh as saying that half of that sum would be provided by Iran. Western analysts say the presence at the ceremony of officials from Russia, Turkey and Kazakhstan lent a degree of credibility to the proposal, one of many which have been put forward in recent months to link western markets with the large energy reserves of central Asia.

But many remain sceptical that two countries with such serious economic problems will be able to arrange the international finance that would be needed for such a massive project.

They also note that Turkey, Russia and Iran are all jockeying for political and economic influence in central Asia, and that all have advanced competing pipeline proposals.

"It seems more real now than a year ago," said Mr Laurent Ruseckas, an analyst at the Boston-based Cambridge Energy Research Associates. But he noted that this week's ceremony was long on symbolism and short on details of any cash commitments.

"The meeting benefited everyone politically without costing them anything," he added.

The Russians have a stronghold over oil and gas export routes from the former Soviet Union, a position they do not want to lose. But nor do they want to take the blame for blocking the construction of alternative routes from now independent former Soviet republics, according to Mr Ruseckas.

Turkey, which currently buys gas from Russia, has in-

the past favoured a pipeline linking it to Turkmenistan via Azerbaijan. President Niyazov signed a deal with Turkey and a consortium led by Exxon, the US engineering group, to consider the best route for a pipeline. But the deal, signed in November 1992 during a summit of Turkic states in Ankara, has come to nothing.

The accord envisaged a feasibility study of six possible routes, including proposals to take the gas under the Caspian Sea from Turkmenistan's Soviet-era fields to Azerbaijan. The main alternative was through Iran to Turkey, where it would link with Turkey's own gas network to Europe.

The consortium included the local Gama group and Botas, Turkey's state pipeline construction company.

Robert Corzine and John Murray Brown on a \$7bn gas shipment deal

pany. However, the deal along with much of the enthusiasm felt by the Turks towards business opportunities in central Asia, has since evaporated. One of the consortium partners said yesterday the negotiations with the Turkmenistan had long since been called off.

"The geography of the route agreed this week is such that it does make sense in a perfect world," said Mr Ruseckas.

Finding an alternative to its present export arrangements is a priority for Turkmenistan, which last year accounted for about 8 per cent of the world gas production. Under the old Soviet system, the country's gas went mainly to Ukraine, Georgia and Azerbaijan, which since the breakup of the Soviet Union have made only irregular payments. It is owed to Turkmenistan, thought to be about \$1.5bn.

Gasprom, the Russian gas monopoly and large-scale exporter to western Europe, makes an annual hard currency payment to Turkmenistan for gas which enters the general Gasprom system.

But Russia's desire to expand greatly its own exports to western Europe means that it is unlikely to accept bigger volumes from Turkmenistan that could undercut its own export potential.

Tehran Radio said a number of meetings were due to be held over the next few months to deal in detail with difficult issues such as pipeline tariffs. But it may be some years before another hole is dug.

US business undeterred by Mexican unrest

Rebellion and kidnapping south of border have failed to dispel optimism over Nafta, writes Nancy Dunne

Rebellion, assassination and kidnapping south of the border have failed to depress the optimism among US businesses engaged by the North American Free Trade Agreement.

A survey in May by KPMG Peat Marwick, the US business advisory company, found that while 97 per cent of senior corporate executives interviewed were aware of political unrest in Mexico, 87 per cent said it would not influence their companies' plans to conduct business there. More than a quarter said they had set up, or planned to pursue, a joint venture or strategic alliance with a Mexican company.

US Commerce Department officials are also unperturbed by the turbulence. The energetic trade team working under Mr Ron Brown, commerce secretary, views the integration of the North American economy under Nafta as both unstoppable and a step towards economic integration of the hemisphere.

"There's no walking out on Nafta," says Mr Jeffrey Garten, undersecretary for international trade and the leading voice on the commerce team. "This has to work. The implications of failure are dire for US trade policy in general and the implications of a clear success are extremely positive."

The growth in foreign direct

investment, which doubled in the last decade among the Nafta countries, has been slower than expected. But US officials see the run-up to the Mexican election as "a pause", with the pace now expected to accelerate.

The US trade surplus with Mexico, which narrowed last year, has begun to make a comeback. In the first six months of the year US exports shot up by 17 per cent to \$24.5bn and government economists believe the Mexican recovery will lift the trade surplus to at least \$2.1bn in 1994, up from \$1.6bn last year.

Some firms are responding through increased production and new investments in their home markets while, for others, inter-firm agreements and strategic alliances at the transnational level will generate a new regional dynamism, Mr Garten said.

Despite Mexico's economic and social woes, restructuring and expansion continue. Motorola and Mexico's Proterra are creating a \$6m telecommunications company to serve long-distance and cellular customers in Mexico.

John Labatt, Canada's second largest beer company, and



Luis Donaldo Colosio, the Mexican presidential candidate, who was assassinated in March. This year has also seen a peasant rebellion and numerous kidnappings, of which the most prominent victim was Mr Alfredo Harp Helu.

Femsa Cerveza, Mexico's largest brewer, are merging their US units and marketing each other's brands. John Labatt will acquire a 22 per cent stake in its partner and a three-year option to buy another 8 per cent.

GTE of the US added Telmex, Mexico's telephone

monopoly, to an already existing partnership with Skytel Communications of Canada. The move will expand GTE's air-to-ground telephone network to serve air passengers calling business centres throughout North America.

Pilgrim's Pride, the fifth largest chicken producer in the

US and second largest in Mexico, has announced a 40 per cent expansion of its Mexico operations.

Along with corporate changes there has been a continental restructuring of transport flows. Mr Garten sees the emergence of north-south trade corridors developing among all three Nafta countries. Trade flows in the developing eastern corridor are expected to increase at an annual rate of 5-7 per cent to 1997. Western traffic is expected to rise by 16-24 per cent over the next 10 years.

To liberalise trade further, the Nafta partners have established about 25 working groups charged with addressing problems left over from negotiations. One group is identifying products for accelerated tariff reduction while another is handling the issue of mutual recognition of professional licences. The Nafta partners would then move on to harmonisation of legal systems and policies on regulation, competition, taxes and exchange rates.

As far as labour is concerned, US unions, which conducted a full-scale battle against Nafta, are no more

enamoured with the pact than before. According to the AFL-CIO, the umbrella organisation for US labour unions, 180 US companies have already made applications to states for assistance on Nafta-related job losses. About 135 have been adjudicated and 62 companies with 5,200 workers have been accepted as casualties of Nafta and thus eligible for governmental assistance such as job retraining.

Meanwhile, the National Administrative Office (NAO) in the US Labour Department has been set up to receive complaints by US unions about US companies mistreating their Mexican workers. Three complaints have been lodged - against General Electric, Honeywell and Sony.

However, Mr Greg Woodhead, chief economist on the AFL-CIO's trade task force, said the NAO was understaffed and underfunded. A permanent director was only recently appointed and seven months elapsed before the NAO announced public hearings on the complaints it has received. It is still unclear whether the administration is prepared to challenge businesses which mistreat their Mexican workers, but a strong labour movement would be more likely than a dozen bands of Zapatista rebels to turn US companies off Mexico as a land of investment opportunity.

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Running in parallel with the Awards, a series of regional Export Forums are being held across the country, in which people from exporting businesses can get together with the experts to share solutions to export problems. Attendance is FREE to delegates from UK exporting companies.

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Gatwick:	10th	November.
Belfast:	24th	November.

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INDIAN COMPANIES

After a brief lull, the market is booming for domestic public offerings and dozens of Indian companies are making a beeline to make issues of global depository receipts. Among the issues likely to hit the market is Larsen & Toubro, an engineering giant with a solid stream of revenues, BPL, probably India's best consumer-electronics manufacturing company and Bajaj Auto, one of the world's top scooter manufacturers. Several other good issues are in the pipeline. Such resource-raising should get a boost with massive privatisation later this year. The current boom is being fuelled by a gradual but consistent rise in the prices in the Indian stocks. This is fetching handsome gains for the foreign investors who entered the Indian market when the 30-scrip sensitive index of the Bombay Stock Exchange was half the current level of around 4500.

This should give a boost to issues of global depository receipts by Indian companies which after a great going last year, turned sour when too many issues hit the market early this year. The government has since then rationed the entry of issues. The move was designed to create a demand for the euro issue of Videsh Sanchar Nigam Ltd, though it was aborted in May. Since then several companies have raised money from Euro issues taking the total tally to over 39 companies fetching \$ 3.9 bn.

The crop of companies intending to make GDR issues in the coming months is much better than what the foreigners have witnessed last year when there were no restrictions on companies coming out with euro issues. "The GDR market is picking up again" says Deepak Parekh of Housing Development Finance Corporation.

Foreigners have put money into India on the basis of the government's policy of economic reforms that scrapped industrial licensing, reformed trade and liberalised the financial sector. Last year, though, it seemed that the government was slackening on macroeconomic fundamentals, inflation and budget deficit which were going up. But it now appears that India is on the threshold of a major boom in industrial production and 1994-95 is going to be a growth year. "Production in basic industries like steel, cement, oil etc. are growing at a fast pace" says S H Khan chairman of Industrial Development Bank of India, India's biggest project-finance institution, while tax revenues are up by as much as 20% over the previous year. India has already been marked out as one of the best-performing emerging markets over the past five years (see Table). This year, thanks to the high-growth scenario some are painting, India is poised to out do its own past. Narayanan Vaghul, chairman of Industrial Credit and Investment Corporation of India says he is surprised by the high level of investment in manufacturing that is currently taking place.

Beginning 1991, India has been consistently marked out as one of the most exciting investment destinations. The stockmarket has already offered handsome returns to foreign investors who have entered the market when India opened it in 1992. By all accounts this boom will be sustained over the next three years as macroeconomic benefits flow in.

In rupee terms, the average daily turnover of the Bombay Stock Exchange, India's biggest and oldest exchange, has increased seven-fold between 1986-92. Prices have been going up steadily over the past five years and the daily turnover is now around \$ 74 million against the normal level of \$ 30 - \$ 50 million. Trading volume is likely to increase, intensified by inflow of funds from various sources, though the actively traded stocks number just a few hundred among over 7,000 listed stocks.

Till recently, the only investment institutions in India were the mutual funds floated by government-owned banks and insurance companies, and Unit Trust of India. Regulations framed by Securities and Exchange Board of India (SEBI) governing all mutual funds and permitting private mutual funds came into effect in early 1992.

Though direct portfolio investment is now allowed, country funds are suddenly popular too. Since July-August last year Credit Lyonnais placed \$ 100 million India Opportunities Fund to be managed by Martin Currie. This was followed by Bombay Fund of BZW; INDICO, placed by SG Warburg and India Liberalisation Fund of Alliance Capital. In March two funds of \$ 500 m each by Morgan Stanley and Oppenheimer were placed.

Indian GDR Issues

	Issue Size \$ million	Issue Price US\$	Premium/Discount
Reliance	150	18.35	63.61
Grasim	80	12.98	96.46
Hindalco	72	16.10	120.50
SPIC	75	11.15	35.70
ITC	68.90	15.30	83.01
Bombay Dye	50	9.20	63.04
M&M	75	7.44	61.29
Sterite	100	17.88	13.26
Guj. Amb. Cem.	80	11.90	80.67
Arvind Mills	125	9.78	-30.98
Indo Gulfert	100	4.81	-6.87
Ind. Rayon	125	22.51	-0.04
Videcon	87	8.10	12.72
GE Shipping	100	15.94	-18.44
Indal	60	10.15	26.90
Jain Irrig	30	11.12	-5.58
Reliance	300	24.10	11.00
Tata Power	75	710.00	-21.83
United Phosphr.	55	41.00	-15.85
Wockhardt	75	28.69	-31.16
Garden Silk	50	26.28	-39.12
CESC	125	53.34	-3.92
Grasim	100	20.50	24.39
DCW	25	13.55	23.62
Tube Invest.	45	8.76	1.60
Core Parent	70	12.60	2.38
Dr Reddy	48	11.16	17.38
EID parry	40	8.39	7.27
Finolex Cab	100	16.60	14.46
Hindalco	100	24.00	47.92
Ranbaxy	100	19.37	8.42
Telco	100	14.00	4.50
Sanghi Polt	50	9.56	4.60
St Viscose	45	19.10	9.93
JCT Ltd.	45	16.96	6.13

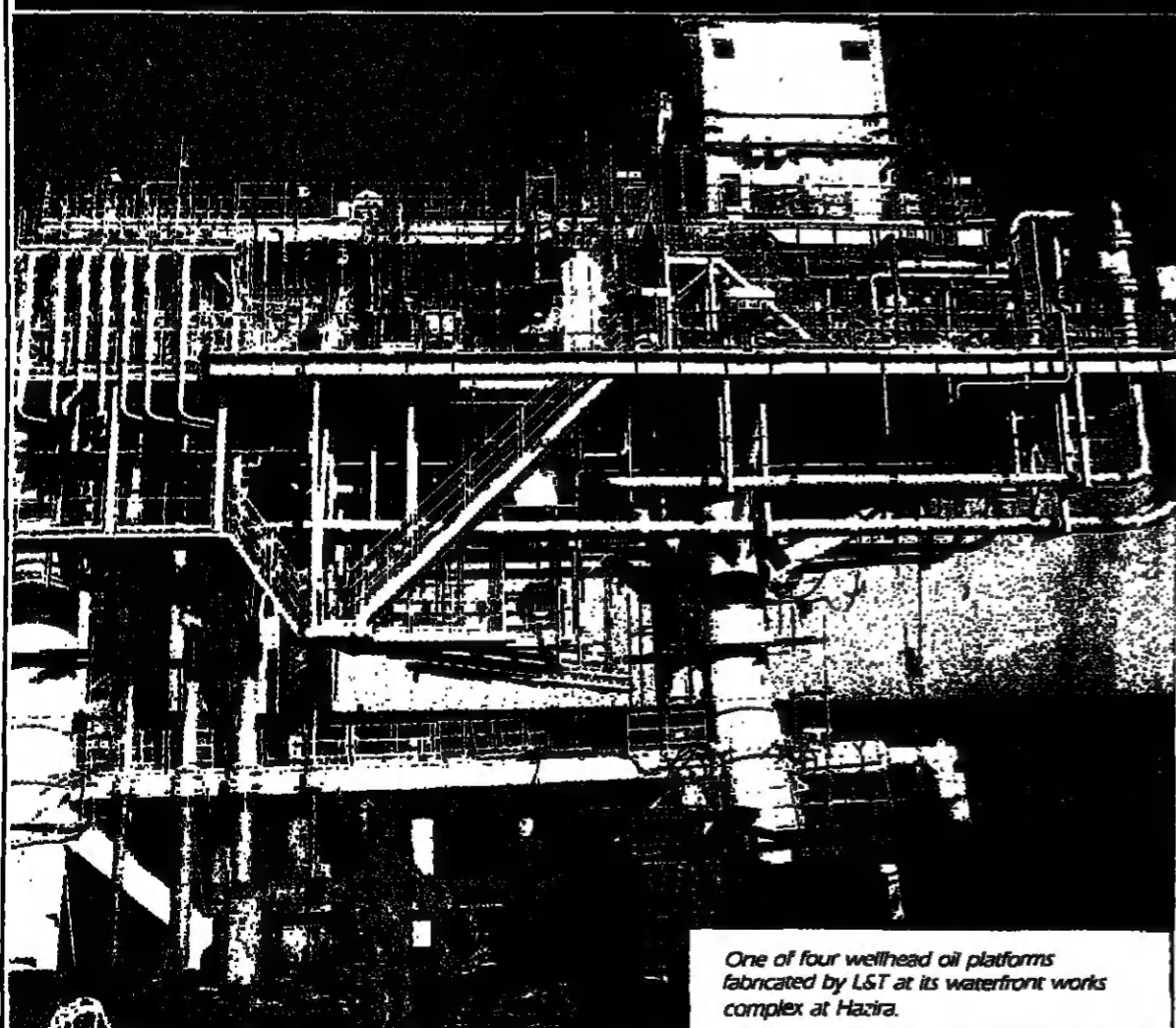
Some Euro Issues Just Permitted

Companies	Issue Size (\$ mn)
Essar Shipping	172
Videcon Appliances	150
Mardia Chemicals	125
Raymond Woolen Mills	100
Mahavir Spinning Mills	100
McLeod Russel	100
Warren Tea	60
Rajasthan Spinning	50
Usha Martin Ind.	30
Kajaria Ceramics	30

EMERGING	MARKET MARKET CAP (\$ bn. 31.5.94)	ANN. GROWTH (%) (1988-92)
Mexico	110	37.8
South Korea	99	1.5
India	43	45.7
Brazil	60	35.5
Argentina	29	47.1
Taiwan	114	-3.4

(SOURCE: FORTUNE INTERNATIONAL, 25 JULY 1994)

Full spectrum services...



One of four wellhead oil platforms fabricated by L&T at its waterfront works complex at Hazira.



Mechanical installation of equipment and piping for gas/crude treatment plant at Zirku Island

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**RS. 6000 Million
INVESTMENT IN
PAPER AND CEMENT
— commissioning in 1994**

THE POWER OF PERFORMANCE

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31ST MARCH 1994

PARTICULARS	YEAR ENDED MARCH 31, 1994	YEAR ENDED MARCH 31, 1993	INCREASE %
SALES AND OTHER INCOME	4884.3	2934.9	66
NET SALES AND OTHER INCOME	4884.3	2765.1	76
TOTAL EXPENDITURE	4181.4	2383.7	75
PROFIT BEFORE INTEREST AND DEPRECIATION	233.3	441.4	19
DEPRECIATION	182.8	181.3	1
PROFIT BEFORE TAX	327.2	127.2	157
PROVISION FOR TAXATION	—	38.5	—
NET PROFIT	327.2	165.7	97
PAY-UP EQUITY SHARE CAPITAL	251.4	144.8	73
RESERVES (including Retained Earnings)	238.5	163.8	45

NOTES:

- Working results for the year 1993-94 include the operations of erstwhile Orissa Synthetics Ltd. merged with the Company.
- Other income for the year 1993-94 Rs. 185.4 Million. (Previous Year Rs. 106.0 Million)

HIGHLIGHTS

- Paper capacity to increase from 80,000 to 75,500 tonnes.
- Cement capacity to increase from 0.6 to 1.5 million tonnes and the unit recently got ISO 9002 Certification.
- JK Magnetics: Three-fold increase in production in last 4 years.
- Production at Orissa Synthetics increased from 14508 tonnes to 21628 tonnes in 1993-94. First to get ISO 9002 Certification for its entire range of products.

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JAIN KIRTI CORPORATION

WP=E²
And other powerful equations.

Western Paques, India's

Leading Environmental

Engineering Company. Through

innovative technologies

Western Paques has helped

Indian industries convert cost

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these technologies accessible

to municipal bodies all over

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a total solution to the pollution

problem. Western Paques

looks towards newer

technologies for better effluent

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overseas.

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financial performance.

Net Profit has risen by 79.50%.

Net Sales by 52.52%. In a

period of one year! Bringing

Power from non-conventional

sources to India and soon to

the world, Western Paques is

set to become a major global

player.

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 1994

Particulars	Year Ended 31.03.1994	Previous Year Ended 31.03.1993
Net Sales	441,386	285,840
Other Income	30,214	10,013
Total Expenditure	318,306	208,545
Interest	9,269	6,668
Gross Profit before Depreciation & Taxation	144,025	80,440
Depreciation	9,133	5,481
Provision for Taxation	—	—
Net Profit	134,892	74,959
Paid-up Equity Share Capital	188,233	56,587
Reserves (Excluding Revaluation Reserve)	799,283	99,826

For WESTERN PAQUES (INDIA) LTD.

Dated: 18.04.94
Place: Bombay

NANDAN GADGIL
CHAIRMAN & MANAGING DIRECTOR

WESTERN PAQUES
WESTERN PAQUES (INDIA) LIMITED
THE LEADER IN ENVIRONMENTAL ENGINEERING
Date: 8-55, Pachmi Marg,
Vasant Vihar,
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Fax: 00 91 11 6885052.

OUR 91% GROWTH
IN EXPORTS CAN BE TRACED TO
A SINGLE DROP OF WATER.



OR TO A BEAD OF SWEAT.

IT ALL STARTED WITH A DROP OF WATER, WHEN WE PIONEERED THE CONCEPT OF MICRO-IRRIGATION IN INDIA. BUT OUR VISION EXTENDED BEYOND THE BOUNDARIES OF OUR COUNTRY. TO SOME OF THE TOUGHEST MARKETS IN THE WORLD, BEYOND TODAY, INTO A FUTURE ONLY A FEW DARE TO DREAM OF. THE RESULT IS AN AMAZING GROWTH IN EXPORTS YEAR AFTER YEAR. AND A FUTURE THAT LOOKS EVEN BRIGHTER. WITH 'SUNRISE' PROJECTS LIKE TISSUE CULTURE, GREENHOUSES, LIQUID FERTILIZERS, SOLAR WATER HEATING SYSTEMS, AND HIGH PERFORMANCE ENGINEERING PLASTICS. ALL THIS CAN BE TRACED TO THAT SINGLE DROP OF WATER. OR TO THE HARD WORK AND UNTIRING EFFORTS OF EVERY MEMBER PERSON AT JAIN IRRIGATION.

Net Sales	47%
Gross Profit	91%
Operating Profit	86%
Shareholder's Return	50%

JAIN
IRRIGATION
SMALL IDEAS. BIG REVOLUTIONS.

Talking about how much one earns is bad form.
Once a year, however, we break the code.



May we present our financial highlights for the year ended 31st March, 1994.

	April 92-March 93 (Rs. Million)	April 93-March 94 (Rs. Million)	% Increase
Income	2,392	3,019	26
Gross Operating Profit	699	950	36
Pre Tax Profit	412	675	64
Foreign Exchange Earnings	1,634	1,944	19
Book Value Per Share (in Rs.)	72.35	93	29
Earnings Per Share (EPS) (in Rs.)	16.81	27.64	64

Reason on total capital employed up from 12% to 17%. Market Capitalization up from Rs. 5,888 million to Rs. 20,958 million. Recommended bonus of 1 share for every 1 existing share and dividend of 70%, up from 50%.

Add to this a few significant trends. Our EPS has moved from Rs. 6.1 per share in 1991 to Rs. 26.07 in 1994. (This despite a 1:3 rights issue in 1993) Profit after tax? From Rs. 90 million in '91 to Rs. 520 million in '94. And dividends up to Rs. 140 million from Rs. 37 million in the same period. Reason enough, we believe, to break the code.

THE INDIAN HOTELS COMPANY LTD
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THE TAJ GROUP of HOTELS

THE TAJ LUXURY HOTELS ARE: THE TAJ MAHAL HOTEL BOMBAY - THE TAJ MAHAL HOTEL NEW DELHI - TAJ PALACE, NEW DELHI - TAJ WEST END, BANGALORE - TAJ COROMANDEL MADRAS - TAJ BENGAL CALCUTTA
FOR RESERVATIONS CONTACT: BOMBAY 72-22-303344, NEW DELHI 91-11-2222333, BANGALORE 91-80-2249281, CALCUTTA 91-33-2487375, MADRAS 91-44-2772827, U.S.A. 7-800-4-LUV-TAJ (TOLL FREE), U.K. 0800 282999 (TOLL FREE)

Court rules utilities under 'state control'

By John Mason,
Law Courts Correspondent

Privatised utilities including the water companies, British Gas and British Telecom were yesterday left more exposed to legal challenges over a wide range of issues after the High Court ruled that South West Water operates under "state control".

The ruling suggests that all privatised utilities, unlike other public limited companies, will be required to implement European Community directives, even when these have not been incorporated into

UK law. This was seen by lawyers as giving employees and pressure groups an extra front on which to mount legal challenges against the operations of the former state-owned industries by claiming possible breaches with EC directives.

These could include challenges over a range of issues covered by EC directives such as employment and environmental concerns.

Ms Melanie Tether, an employment partner with Norton Rose, the London law firm, said the ruling would affect the position of all the privatised utilities.

"Undoubtedly a judgment of this kind will be welcomed by employees in this kind of organisation. It will have widespread implications."

The government has recently increased the pace of legislation bringing UK law into line with European directives, so lessening to some degree the problems posed to utilities by the ruling, she pointed out.

However, with new directives continuing to emerge from Europe, the issue would still be a "moveable feast" for the courts, she said.

The ruling followed an attempt by

Unison, the public services union, to challenge redundancies planned by South West Water.

Although Unison lost the bulk of its case, the judge, Mr Justice Blackburne ruled that despite SWW's status as a PLC, it was an "emanation of the state" because it provided a public service controlled by a state-appointed regulator.

The judge said: "The question is not whether the body in question is under the control of the state, but whether the public service in question is under the control of the state."

"The legal form of the body is

irrelevant. The fact that the body is a commercial concern is also irrelevant. It is also irrelevant that the body does not carry out any of the traditional functions of the state and is not an agent of the state. It is irrelevant too that the state does not possess day to day control over the activities of the body."

Both British Gas and British Telecom declined to comment on yesterday's ruling, saying they had to study the judgment carefully first.

South West Water yesterday gave no indication whether it would be appealing against the ruling.

British Gas unveils £600m terminal

By Robert Corzine

British Gas yesterday unveiled one of the key pieces of the costly infrastructure needed to bring Britain's new west coast energy reserves to market.

The £600m North Morecambe project, the UK's newest natural gas terminal, will supply 4 per cent of the country's peak winter demand for natural gas.

The terminal, outside Barrow in Furness in Cumbria, is in the final stages of commissioning: the official opening will be in October but gas is already flowing into it from a single production platform about 25 miles off the Lancashire coast in the shallow waters of the Irish Sea.

The facility was built specifically for processing the raw gas. But it could be expanded to take gas from other fields which may be discovered in what many oil companies see as an increasingly attractive area for exploration.

The North Morecambe terminal, one of the country's largest onshore energy projects, employed up to 2,000 workers at the peak of activity. Hundreds were still on site yesterday, although the permanent workforce will total just 60.

The small number needed to oversee what will be Europe's most complex gas processing centre shows the degree to which oil and gas companies in the UK have succeeded in cutting the cost of large-scale energy projects.

British Gas' initial plan in

1980 envisaged an offshore platform two-thirds the size of that on the nearby South Morecambe gas field, which has a crew of 176.

But the final development plan approved in 1990 called for the installation of what company officials say is the world's largest fully automated platform. It will not normally be manned, and will require only a weekly maintenance visit from a 10-man team.

The rate of return on the project is 16 per cent, according to Mr Eric McIlhagga, who has overseen the offshore work. The estimated payback on the development costs should be achieved in three to four years.

The platform has no facilities for processing the raw gas. Nor does it have its own power supply; electricity is sent from shore via an undersea cable.

Lightning strikes and a corroded pipe which fractured were part of a sequence of events which caused the huge explosion at Texaco's Milford Haven refinery on July 24.

The explosion caused extensive damage to the south Wales plant and a serious fire although there were no serious injuries. Production has yet to restart. While the company has not divulged the cost of lost output, the damage alone runs into millions of pounds.

Texaco's final report will not be made until the result of a separate inquiry by the Health and Safety Executive which is expected shortly.



Tugs spray water at the hull of the Sally Star six miles out in the English channel after the fire in its engine room yesterday

Probe set into channel ferry blaze

By Charles Batchelor,
Transport Correspondent

Marine safety investigators from the UK and the Bahamas were last night preparing to launch inquiries into a fire on a cross-channel ferry which led to emergency evacuation of more than 100 passengers and crew.

Lifeboats and rescue helicopters were called out to the Sally Star, a 9,000-tonne ferry en route from Dunkirk to Ramsgate after a fire broke out in its engine room in the early hours of Thursday.

One crew member had to be airlifted to hospital with a back injury but no-one else

among the 104-strong crew and 17 truck drivers on board was injured. Fire officers from Kent were taken out to the vessel by helicopter and boat.

The fire broke out when the vessel was eight miles from Ramsgate and flames could be seen from the shore, eyewitnesses said. The Sally Star was last night being towed back to Dunkirk for repairs.

The department of transport described the rescue as "a textbook operation" but the RMT transport union said the incident revealed the danger of recent cuts in the emergency services budgets. The first helicopter to attend the fire flew from an RAF base at Wattisham in Suffolk following the closure last month of RAF Manston in Kent because of defence budget cuts.

The Sally Star can carry up to 65 cars and 70 trucks as well as up to 1,500 passengers but was carrying only trucks and their drivers on the overnight journey.

Sally Line, the owner of the vessel, said the cause of the fire was not known. The Sally Star was built in 1981 and acquired by the line in 1982.

The Sally Star had undergone five routine inspections since February 1993 and a major inspection in April 1994. The department of transport said. Minor defects were found

but these had been put right. The British marine accident investigation branch will begin an investigation because the ship was in British waters when the emergency occurred while the Bahamian authorities will also investigate because it sails under the Bahamas flag.

Fires broke out on two other vessels yesterday. Thirty of the 73 crew members of the Lithuanian fish factory ship Seola were taken off by lifeboat following an engine room fire off Shetland. In another incident, fire broke out in the cargo pump room of the Royal Fleet Auxiliary ship Fort Victoria moored near Plymouth.

Britain in brief



CBI figures back growth optimism

UK manufacturing output and orders are growing at their fastest rates since the late-1980s, according to the latest Confederation of British Industry monthly trends inquiry, but expectations of higher prices are increasing.

For the first time since April 1989, more companies believe that their order books are above normal, than below. CBI surveys deduct those reporting a decrease from those reporting an increase in order to produce a percentage balance.

The balance of those expecting an increase in output over the next four months is 30 percentage points, the highest figure since September 1988, while the balance of those reporting above normal order books is 4 percentage points.

Both findings appear to confirm official statistics earlier this week which showed that the rate of economic growth was accelerating and would beat the Treasury's 2.75 per cent forecast for 1994.

The CBI also produced its revised economic forecast for 1994 and 1995. It has upgraded its expectations for gross domestic product growth this year from 2.4 to 3 per cent, although that forecast does not take account of the strong GDP figures published earlier this week.

The CBI believes economic growth will slow in the second half of this year, as the full impact of tax increases hits consumer spending, and GDP growth in 1995 will drop back to 2.5 per cent.

Norweb to shed 1,200 staff

Norweb, the Manchester-based electricity company, is to shed 1,200 staff over five years after announcing yesterday the sector's first corporate restructuring in the wake of the recent regulatory review.

The company also indicated it plans further acquisitions in the US.

Norweb said its job cuts programme was necessitated by the regulator's review of price caps which would lead to a cut in income of £300m over the next five years, £40m of it next year.

It said it accepted the revised price controls even though it did not agree with the regulator's methodology and approach. Nine of the 12 companies have now agreed to the controls, and the other three are expected to do so.

BZW to advise power review

The British government yesterday announced the appointment of Barclays de Zoete Wedd and KPMG Peat Marwick to advise it in its review of the nuclear power industry.

BZW will consider whether a new nuclear station could be built with private finance and assess the feasibility and timescales of proposals for the privatisation of the nuclear generating industry.

KPMG Peat Marwick will review current organisational arrangements for the management of public sector,

civil nuclear liabilities, with a view to maximising value for the taxpayer consistent with safety, health and environmental requirements.

Sunderland to weigh new site

Sunderland Football Club is considering a disused colliery site for its new sports and conference complex, as an alternative to a development next to Nissan's £900m Wearside car plant.

The plan for a £75m superstadium and leisure complex, which has prompted angry exchanges between the club and the car maker, was to have gone to a public inquiry.

But yesterday the club confirmed it is investigating the possibility of a smaller development on the Wearmouth colliery site, less than a mile from its Roker Park ground from which it needs move to fulfil the Taylor Report's all-seater stadium requirement.

Engineering sales higher

Total sales of the combined engineering industries in Britain were 12.0 per cent higher in the second quarter than in the same quarter last year, the Central Statistical Office said yesterday.

Sales were 3.1 per cent higher seasonally adjusted in the second quarter than in the first, with home sales 4.1 per cent up and exports 1.6 per cent higher. Sales in June alone were valued at £7.3bn in current prices, up from £6.8bn in May. Total orders on hand at the end of June, seasonally adjusted and based on 1990 prices, were 0.9 per cent higher than at the end of March, and 5.0 per cent up on June 1993, the CSO said.

Printer plant to close

Star Micros, a Japanese manufacturer of dot-matrix printers, is to close its factory in south-east Wales with the loss of nearly 200 jobs.

Over 40 Japanese companies have set up in Wales since the early 1970s and this is their first plant shutdown.

The company set up at Tredegar, Gwent, in 1988 but has faced severe competition from other types of printer. The plant's turnover fell from £58m in 1990 to £20m last year, when it lost £1.3m and made 76 people redundant.

Survey vessel tenders invited

The Ministry of Defence yesterday invited tenders for a new Ocean Survey Vessel for the Royal Navy's Hydrographic Service from Swan Hunter, VSEL and a consortium of BAE/Sema and Applidore shipbuilders.

Tenders for the vessel are due to be returned in October, for a decision by the end of 1994.

Constructions Mécaniques de Normandie, sole prospective bidder for Swan Hunter, the Tyne-side shipbuilder in receivership, hopes Swans will win the ship in order to provide the firm workload CMN requires before it is willing to buy the yard.

Yesterday CMN, receiver Price Waterhouse and MoD officials met to try to break the deadlock over terms for the proposed transfer of Swans' MoD frigates contract to CMN, a key element in CMN's proposal for a conditional purchase deal. CMN last night described the talks as "useful".

Verbundnetz
Gas AG

Energy on the move



We are an east German gas merchant company: our day-to-day business shows us what it takes to put the east German economy on the move towards recovery: energy. For us, energy isn't just natural gas - even though natural gas is the most popular form of energy with consumers, utilities and businesses. For us, it is also the initiative, flexibility and commitment needed to put our economy back on its feet. Together with our partners in energy - regional distributors, local government and industry - we have already moved a long way within a short space of time. We are able to supply natural gas via an area-wide network to all parts of east Germany - a major achievement which has received international recognition. Now we are focusing on the finer details: greater flexibility in gas purchasing and the ability to meet growing demand for gas. That makes us the right partner for energy.

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US visitors upbeat on IRA ceasefire

By Tim Cooney in Belfast

The head of an influential Irish-American delegation that is today due to meet leaders of Sinn Féin, the political wing of the IRA, said yesterday he was "renewed" in his belief that the IRA was on the verge of a "major decision", strengthening speculation that it will announce a ceasefire within two weeks.

Speaking after a meeting in Dublin with the Irish prime minister and foreign minister, Mr Bruce Morrison, a former US congressman, said the objective of his visit to Dublin and Belfast was to help achieve "an end to violence through a broad-based political process".

The Irish Foreign Ministry said the US delegation was briefed on the Irish government's view of the Northern Ireland peace process and that it was stressed that it sought

"a total cessation of violence". Mr Morrison confirmed he would report back to the White House on his return to the US.

In Belfast, a senior figure in Sinn Féin said yesterday an "unprecedented opportunity" to get down to the nuts and bolts of the conflict lay ahead, which he hoped would lead to "multi-party dialogue".

Although unable to confirm whether an extended IRA ceasefire was imminent, he said: "The IRA know a short ceasefire was not seen as sufficient before. They are moving towards a decision and no obstacles remain in the way at the moment."

He said Sinn Féin had invited the delegation to meet its leadership "to help broker a permanent peace in Northern Ireland. We are not looking for them to be behind Sinn Féin, but to be behind a strategy to get a settlement."

No French model for coast train

Modernisation plans for Britain's 350-mile west coast main railway line may not lead to the construction of a high-speed line on the French model due to cost and the likelihood of environmental protests.

But the introduction of "21st century signalling" with modest changes to the present route should still lead to significant increases in journey times, Mr Gill Howarth, Railtrack's director of major projects, said yesterday.

The £500m upgrading of the west coast route, last modernised in the 1960s and 1970s, is expected to reduce the London to Glasgow journey to four from five hours, London to Manchester or Birmingham from 2½ to two hours and London to Birmingham from 1½ to 1¼ hours, times competitive with airline schedules.

The west coast line is one of the busiest in the UK carrying more than 2,000 trains a day. Intercity expresses account for just 16 per cent of train journeys though they provide 80 per cent of the mileage travelled.

Charles Batchelor on plans to upgrade the west coast rail route

The likely design of the line has emerged from a "second sift" of options carried out by a 60-strong project team consisting of staff of Railtrack and WCM Development, a private sector consortium involved in the feasibility study. A third review will take place in October in time for final proposals to be put to the government before Christmas.

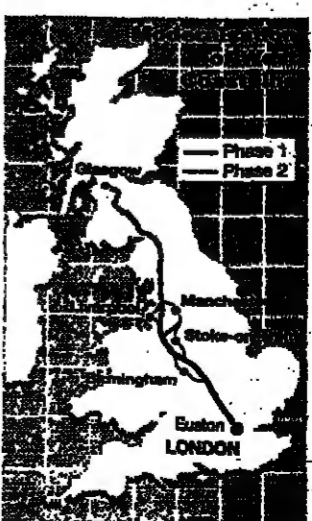
A construction consortium will then be selected by competitive tender to start work in 1995. Depending on the degree of disruption acceptable to existing services, modernisation work will take between four and eight years.

Local authorities and business interests along the line have been pressing for it to be upgraded to speeds of 125mph-185mph.

Significant improvements will also result from upgrading signalling. The latest airline-style system which does away with track-side signals could be used on the fastest sections of track with a more conventional system in use around the large cities which are most heavily used by slower regional train services.

This could mean that inter-city services could be controlled by a single signalling centre over the entire route though two or three centres are more likely, Mr Howarth said. This is likely to lead to a reduction in the number of signalling staff needed.

A decision has yet to be taken on whether new rolling stock will be provided for the line - at a further likely cost of £300m-£400m - though the more modern the track and signalling systems the more likely it becomes that new trains will also be needed. One option is for tilting trains similar



to those in Sweden and Spain. The private sector is expected to contribute most of the cost of the project - in return for a concession to operate the line - though public funds will also be needed. Present government thinking is for the line to be financed through a subsidy for the train operators' track access charges rather than by a grant to meet capital costs.

MANAGEMENT

CHRISTOPHER LORENZ

Hierarchies of the middle-up-down



One of the unending puzzles for westerners about the way Japanese companies operate is the relationship between boss and subordinate. In an unusually structured society, top managers command enormous authority and respect. Yet at the same time Japanese companies tend to be remarkably participative, or at least consultative: there are few countries in which front-line and middle managers have as much influence on strategy.

Some western writers have claimed that this is a sham: that Japanese workers and middle managers feed their bosses what the latter want to hear. More sophisticated writers argue to the contrary: that the innovativeness and creativity of Japanese companies, especially in knowledge-intensive industries such as electronics, rests heavily on the injection of ideas from these closest to the customer and to technological change – in other words, from the bottom or middle. In a celebrated article a few years ago, a Tokyo professor, Ikuzo Nonaka, christened this style "middle-up-down management".

Now two western writers with a subtle grasp of both culture and organisational systems have produced an explanation which builds on Nonaka's analysis. The authors are Charles Hampden-Turner, a British academic at Cambridge best known for his pioneering work on how to thrive on ambiguity and dilemma, and Fons Trompenaars, a Franco-Dutch expert on national differences in business.

In *The Seven Cultures of Capitalism*, a wide-ranging and provocative book published this year – which has had an undeservedly quiet reception, partly because of its philosophical overtones – Hampden-Turner and Trompenaars concede the obvious: that the Japanese are far more deferential to authority than Americans; that they use a language indicative of the relative social standings of speakers and those spoken to; and that they are most reluctant to criticise openly anyone but

close colleagues.

What is less obvious is that Japanese hierarchies are very different from typical Anglo-Saxon chains of command, in which the boss sits many miles from the customer and the technical action. In Japan, they tend instead to constitute what Hampden-Turner and Trompenaars call, awkwardly, a series of "inclusive co-ordinations". These, they suggest, resemble inverted Chinese puzzle boxes, one inside the other (see diagram). Whereas the levels of a US hierarchy have considerable gaps and psychological distance between them, in Japan each higher level encompasses the one beneath it, the duo argues. The superior not only has his feet more on the ground, and is in closer direct contact with lower levels, but is usually also more of a co-ordinator than a leader. Hence the term "inclusive co-ordination".

As *Seven Cultures* argues, most top men in Japan tend to lay down abstract values and policies, and then synthesise the innovative actions and other initiatives which flow up from those beneath him. Like the "coaching" style much advocated in the west, but little practised there as yet, the Japanese leader spends much of his time listening, responding, nurturing, and formulating after-the-event policy from strategies that have emerged from below.

This combination of top-down management with bottom-up participation contrasts with American management theory, which

has tended to pit the two against each other.

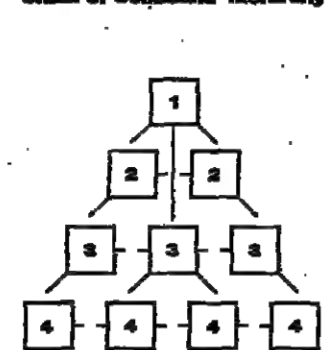
Japanese hierarchy also differs from western autocracy in its tradition of benevolent leadership and minimalist control, according to *Seven Cultures*. Strong emotional obligations are placed on Japanese leaders by their subordinates. Moreover, unlike westerners influenced by the sociologist Max Weber, the Japanese make no distinction between *Gemeinschaft*, a close-knit group with voluntary affections, and *Gesellschaft*, a contractual association for work.

As the book demonstrates, Japan's strong collectivism supports the ability of its companies to create harmony between seemingly conflicting factors. Authority is combined with empowerment, hierarchy with participation, and so on.

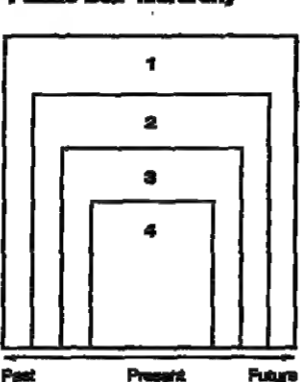
The net result is unparalleled proficiency at the sort of complex organisational learning, corporate renewal, and competitive flexibility which every western company is struggling to emulate. What Hampden-Turner and Trompenaars do not explore sufficiently is the downside of the group commitment which underpins "middle-up-down" decision-making in Japan: an atmosphere that most westerners find oppressive. So do some Japanese these days. But when old thinking habits are so powerful and deep-rooted, they die hard.

*UK: Piatkus, £20 US: Doubleday, \$25

American 'Chain of Command' hierarchy



Japanese 'Puzzle Box' hierarchy



Claude Bébér, chairman of France's Axa insurance group, enjoyed an unusual evening this summer in the company of a team of Chinese jugglers and a chorus of opera singers. Together with 170 managers from 10 of Axa's international operations, Bébér then spent the night on China's Great Wall.

Amid the charred remains of a roasted lamb and crates of empty bottles of wine from the group's French vineyards, the managers slept in sleeping bags and rose at 4.30 to watch the sun rise.

Their bonding experience, part of a seven-day trip to China, reflects Bébér's unorthodox approach to managing the group, which over the last five years has become one of Europe's biggest and most rapidly growing insurance companies. Indeed, since taking a 49 per cent stake in Equitable Life of the US in 1991 Axa has signalled its ambition to play on an even bigger stage.

These aspirations were underlined last week when Axa acquired Boral Assurance, the Canadian insurer, in an acquisition which will make the company the fourth largest insurer in Canada. Axa also recently secured provisional authority to set up a life insurance business in Japan and announced plans to invest \$200m (£138m) in the venture over the next five to seven years.

The China escapade is one of the most striking examples of Axa's – and Bébér's – iconoclastic and radical style, in an industry where management has traditionally been slow moving, status conscious and parochial.

Vestiges of that conservatism are still visible in some corners of Bébér's empire. At Axa Equity & Law, for example, the High Wycombe-based UK life insurance company taken over by Axa in 1987, managers – curiously known as "officials" – are still rewarded for each upward move in the company hierarchy, whether in their work surroundings. Desk sizes, floor coverings and even the equipping of offices with hat stands are tied rigorously to seniority.

But commercial pressures have already begun to force a change in attitudes. Four hundred jobs have disappeared since 1990 – many of them middle managers squeezed out as the company sought to flatten the management hierarchy. There were "an awful lot of titles which didn't carry any responsibility", comments David Thorley, marketing director.

Bébér's approach is designed to reinforce these sorts of changes across the organisation, preparing senior managers for a much more competitive environment and making them more flexible and responsive to change. In particular, the company is concerned to build on



Claude Bébér's radical approach involves improving communication skills through 'workouts' in China and the Sahara desert

'Modelnetics' of life

Richard Lapper looks at an unorthodox style of promoting participation and flexibility

its international strengths by obtaining maximum benefit from the range of management and specialist expertise at its disposal.

Before the China visit, for example, six teams – each drawing their resources from separate parts of the Axa empire – worked in their free time on competing proposals about how Axa could penetrate the Chinese market. Wherever necessary they made use of the company's communications facilities, such as video conferencing. During the China visit, each group presented its conclusions to the committee responsible for corporate strategy.

Axa has taken other opportunities to bring its senior executives together. Since 1987, for example, Bébér has masterminded three other adventure workouts in unusual locations.

Managers spent a week in tents in the Sahara desert in 1987; Bébér hired a train to take them around Europe in 1990; and two years ago, top staff were flown to the Caribbean island of St Martin.

Attempts to improve communications are not confined to the top. The company is also keen to promote greater direct contact between

managers at lower levels, especially in specialised areas such as telecommunications, information technology and fund management. Rather than communicating through managers, Thorley says "it is far better for the guy installing telephone systems in France or the UK to talk directly to his counterpart in the US".

One method of improving communications favoured by Axa is "modelnetics", a management training system developed by Main Even Management Corporation, a California-based group. The system uses 151 "models" – buzzwords and symbols – to promote use of management concepts that promote participation and flexibility. Axa has been using it for the last few years.

Its managers in High Wycombe are quick to use modelnetics jargon. "Slot machine management" – frequent moves of personnel and resources within an organisation – and "management snog" – the lack of communication associated with dense bureaucracies – are deployed. Employees are encouraged to think laterally or outside "the logic box". Thorley sees it as "a common language that helps us understand common problems".

Currently, Axa is placing more stress on the development of its own central training programme at its "university", a training centre attached to the group's Bordeaux vineyards.

Richard Nicol, human resources director who joined Axa earlier this year after long spells with Total and Airbus Industrie, plans to unveil an ambitious new training scheme for all his company's managers later this year.

The scheme – which involves a rolling programme of one-week courses – will subject each of Axa's 5,500 managers to peer group and subordinate assessment for the two months prior to the course. Nicol says the emphasis is on participative management.

Summarising his experience with Axa, which he joined after working for a range of top UK businesses, Thorley says: "Most companies I've worked for define the frame and everything inside the frame. They tell you everything you can do and can't do," he says. By contrast Axa "provides the framework, and how you go about it is very much up to you. Bébér has sent a clear signal that he doesn't want little clones everywhere."

TECHNOLOGY

Claire Gooding profiles a system that sets travellers and tour operators in the right direction

World explorers on software trail

People usually have clear ideas about what they want from a holiday. Sun, sea and sand are still on the list, but an increasing number of travellers wish to set their own agenda. The standard package does not cater for them, but straying from the beaten track is encouraged by Rainbow Holidays of York.

Rainbow specialises in tailored itineraries for individuals who are making the trip of a lifetime – a retirement trip, for example, or a family reunion in a remote area of Australia. Every item on the trip, down to the car transfer from the airport, appears on Rainbow's TourCat computerised system.

Beside the items, vital information appears for the tour operator: the profit margin and how it is divided between operator and travel agent. The system is used to quote on complex trips with multiple components, and enables the UK company to explore a variety of options. If a client needs to keep costs down, Rainbow can look for substitutes: a bus connection from the airport, a cheaper room or a cheaper hotel altogether.

If the customer changes his or her mind, the system provides instant re-quotes, including airline bookings via a central reservation system such as British Airways' Galileo. This "modelling" of the ideal trip results in a printed itinerary for the client showing the breakdown into individual components, sometimes running to several pages. "The printed itinerary really makes the dream trip come alive," says chairman David Miller. "When people see all those wonderful place names appear in print, along with actual times of arrival and departure, and details like the car pick-up, people's aspirations suddenly become real. That's when they begin to get excited."

SOFTWARE AT WORK

The same computer system has helped Rainbow to target closely three different markets and to track its success with individual products and agents. An unexpected benefit has been its use in competitive situations: Rainbow is able to shave margins in a head-on bid or offer instant alternatives.

For instance, Rainbow has won business because its detailed itinerary made clear that a rival company's lower price did not include all the items – such as the ferry fare for a campervan between New Zealand's two islands.

The travel and leisure business has proved precarious during the recession. But with the information available on the computer system,

Rainbow's staff is particularly attuned to profit margins and the group now has a turnover exceeding £23m. Survival in the travel trade, Miller believes, depends on responding to changes in the market with the right products. An entrepreneur with interests in other business areas, he has built the company up by reacting quickly to market trends. Miller founded Greenfield Holdings (of which Rainbow is a part) as a hotel company in 1977 after 17 years in hotel management.

Rainbow was founded in 1981 to offer short breaks in the UK. As well as filling empty beds in its own three Croft hotels in Dumfries, Birmingham, and Edinburgh, the company took other hotels on to its books and started a booming business in weekend breaks. The UK Short Breaks brochure offers 400 hotels in more than 200 locations. Rainbow's long-haul business started in 1989 and quickly expanded from covering Australia and New Zealand to include more unusual destinations.

In 1991, the short breaks formula was extended to Europe, and Rainbow acquired the European Travel House to build up inbound European business. This is high-volume, low-income trade, along the lines of package holidays.

The long-haul niche market has grown as other more conventional holidays have struggled to maintain market share.

The tailor-made holidays, known as "itinerary build" in the trade, now account for 57 per cent of Rainbow's turnover. "The long-haul business is the most volatile in terms of margin because each component can affect gross profit margins. But we also have to be market-driven and respond to the competition," says Miller.

The recession flattened turnover to the degree that Miller had to look closely at Rainbow's costs. The company had become computerised with its first reservation system in 1984, but the various departments had incompatible systems with limited new product development and cost large amounts in maintenance. The aim was to standardise with



David Miller: 'We needed to react to the market and its changing products quickly'

a single computer system able to deal with all three areas of business, including specialised itineraries. It had to provide good communications, instant links and booking capabilities with airline CRAs, a range of specialised reports, and confirmations and ticketing.

None of the standard travel systems met all Rainbow's criteria. Rainbow knew the TravelCat software developed by C-Cat of Hull, and when C-Cat approached with the idea of TourCat, Rainbow invested £1.5m in a joint develop-

ment. "We needed the ability to react to the market and its changing products very quickly, and we couldn't wait for the technology to catch up," explains Miller.

C-Cat now sells TourCat as a "turn-key" package of hardware and software: a system of 60 terminals such as Rainbow's costs around £150,000.

For Margaret Simpson, operations director in charge of the system, the main challenge was to make every-one feel that the system could cope

with their specialisation. A lot of time was spent analysing industry needs and any resistance to change was dealt with by showing staff TourCat's potential.

"One of the main problem areas in the old system was building the Sunday evening discount into the hotel costs," she says. "Once people realised they could throw away their calculators and paper, they couldn't wait."

Sharon Hutchinson, reservations manager for short breaks, agrees: "No more mistakes on discounts, and it is excellent for checking availability and offering alternatives."

Long-haul reservations manager Simon Bean uses TourCat as a management reporting tool as well as for quotations and availability searches. "I use it to compile statistics on the reservations clerks, so that I can see their conversion rate, spot gaps in their product knowledge, and provide appropriate training."

Rainbow's inbound tour business depends on good marketing relationships with customers such as Air Malta, and Cathay Pacific and Creative in Sydney. These customers want direct online access, and they get it. The system links to terminals in 7,200 retail travel agents.

Communications are an important part of the software package. "The future is all based around communications," says Miller. "The way a company or size competes with First Choice [recently renamed Owners Abroad] or Thomson is by being better in our niche, more focused on specific client bases. And the information we are getting from the system is stunning."

He cites a controlled experiment on two batches of 200 travel agents, where one simple targeting tactic brought about a 51 per cent improvement in conversion rates in one group. It also resulted in fewer brochures, and a saving on the print bill of £125,000. "We thought our gut feel was terribly good until we began to get real information out of TourCat," admits Miller.

The TourCat system has earned its keep since its installation in June 1993. "We printed 2.5m Short Break brochures for 1994. In the past we have not been sure of the conversion rate for any specific agent, but TourCat can run a report in four minutes that tells us about the grading of our various agents. We buy 1,250 tonnes of paper annually, and with paper prices rising, that is a significant saving."

"The system gives full leash to the creativity of the staff here, it makes them more successful in what we call directional selling. It is the confidence the agents have in us that matters and that is where the system makes us better," concludes Miller.

Worth Watching · Vanessa Houlder



Picking out the crop pests

Insecticide sprays often indiscriminately destroy both pests and useful organisms. Researchers at the Fraunhofer Institute for Applied Polymer Research in Teltow, Germany, believe they have found a way to target pests more effectively by releasing the insecticide in a degradable microcapsule.

The capsules, which attach themselves to the leaves of crops, are eaten by the pests. Less insecticide is needed than with current techniques, spraying is less frequent and there is reduced risk that toxic agents are washed into the soil by rain. The system also avoids use of toxic solvents, often added to insecticides to improve spraying qualities.

Fraunhofer Institute for Applied Polymer Research, Germany, tel 332 8450

Enzyme clue to ageing

Scientists working for the Medical Research Council in Cambridge have identified the structure of an enzyme that plays a leading role in the conversion of energy within cells. The structure of the enzyme, known as F₁-ATPase, is described in this week's *Nature*, the scientific journal.

The researchers, at the MRC's Laboratory of Molecular Biology, believe that knowledge of the detailed structure of F₁-ATPase and the other enzyme complexes involved in energy conversion will aid understanding of the ageing process, together with neurodegenerative and neuromuscular diseases.

The enzyme, which is about 200,000 times smaller than a pinhead, is the biggest high-resolution asymmetrical biological structure yet determined by X-ray crystallography. The structure shows the positions of almost

3,800 amino acids on the enzyme. Medical Research Council, UK, tel 071 636 5422; fax 071 436 9555

Tapping into neural computing expertise

The ability to recognise patterns demonstrated by the computing devices known as neural networks is being put to increasing use in industry and finance, where they can reveal relationships and trends within large quantities of data.

Neural Technologies, a Petersfield-based company, has set up a neural-computing based data analysis service for companies without in-house expertise.

Neural Technologies, UK, tel 0730 260256; fax 0730 260466

Putting a finger on security

Identifying people by fingerprints has long appeared an attractive way of combating fraud. Startek, a Taiwan-based company, has devised a fingerprint identification system which it believes is reliable enough to be used as a security device. It uses a small scanning device to take a "picture" of a fingerprint, which is compared with one previously registered in a computer system, in a process lasting about three seconds. It says that fewer than 1 per cent of prints are falsely rejected, while fewer than one in 100,000 prints is falsely accepted.

Startek Engineering, Taiwan tel 886 35 785385; fax 886 35 787089

Hand movement restored

Surgeons at Salisbury District Hospital plan 12 operations to restore hand movement to patients paralysed by spinal injury, writes Andrew Derrington. Implanted electrodes will stimulate muscles that have been disconnected from the brain. In some cases muscle tendons will be transplanted to give better control. The stimulator will be controlled by shunting the opposite shoulder.

The operations at Salisbury are part of a larger test series, co-ordinated from the US, says Jack Gardner of Inspire Foundation, which is paying for the electronic equipment. Inspire Foundation, UK, tel 0722 336262 ext 2465; fax 0722 336550

هكذا قال الامير

A conductor who fits the bill

Antony Thornecroft finds the LA Philharmonic full of the spirit of enterprise

Esa-Pekka Salonen, the boyish (36 going on 45) music director of the Los Angeles Philharmonic, which plays the Proms at London's Albert Hall next week, says "It is pleasing to be part of the underground". A symphony orchestra in Los Angeles, the popular entertainment capital of the world, is distinctly left field. "When we are playing Bruckner we are the alternative culture", maintains Salonen.

Salonen has been at Los Angeles two years now, and "it is very enjoyable. Musically it is exactly as I expected, although the non-musical part of being music director takes up a lot of time and energy". Los Angeles likes stars (previous music directors include Mehta, Previn and Gwaltin) and Salonen, a composed, even cool, Finn, accepts the burden. "The conductor in his person represents the values of classical music in this area".

In a city where looks matter, he fits the bill to perfection. He is also professional enough to command respect in a place which makes its money by taking entertainment very seriously. The crucial time for the Philharmonic is now, when

subscriptions are renewed for the winter season of concerts. With over 90 per cent of supporters signing on again, Salonen, and managing director Ernest Fleischmann, breathe more easily. Running a major orchestra in Los Angeles is a tough business. The arts in the US are dependent on rich patrons and although there are plenty of wealthy people in L.A., they tend to be the insecure producers and stars of the movie and pop industries who are too preoccupied with their roller coaster careers to feel charitable. A few Hollywood personalities back the Philharmonic. Walter Matthau is a friend and Sharon Stone is expressing an interest - but apart from taking a socially desirable box at the Hollywood Bowl, where the Philharmonic undertakes an ever longer, financially essential summer season, the orchestra survives in an apathetic environment. Fleischmann looks hungry

at cities like Boston where old money has enabled the orchestra to build up an endowment of \$110m. Although the L.A. Philharmonic has an annual turnover of almost \$37m, large by orchestral standards, it has amassed an endowment of only \$24m. Fleischmann is embarking on a fund raising drive to raise this to \$75m, which would produce an extra \$5m a year in revenue and go some way towards meeting the current \$7m deficit.

He is optimistic the money will come. Apart from the impact of Salonen, in 1997 the Philharmonic moves into a new home, the Walt Disney Hall. This has been paid for with the largest cash donation in the history of the arts in the US. Lillian Disney came up with the initial \$50m in memory of her husband Walt and the rest of his family rallied round to produce towards the \$150m cost of the building.

The smartest L.A. architect,

Frank Gehry, has been commissioned to produce something startling and his design, which wraps the building in swathes of limestone like a ship in full sail, is expected to become as much a landmark in the city as the Opera House in Sydney.

Change is whirling around the classical music scene in L.A. Salonen is fanatical about contemporary music. "A symphony orchestra should maintain the tradition that exists, but it should also create new things." So most of the world's leading composers have been commissioned to provide works for Walt Disney Hall.

Salonen has naturally brought a northern repertoire, more Sibelius and Nielsen, to the orchestra, but he has also attempted to improve its variety to give it "a palate rich enough to accommodate a more flexible approach", as he

diplomatically puts it. The aim is to keep the warmth associated with American bands but to make it tighter. The strings are also to be coached in the 18th century repertoire by Roger Norrington.

Behind the scenes the Philharmonic is determined to get back into the black. Staff has been thinned, some outreach programmes axed. It will pay for performing in the new hall, which cuts its seating capacity from over 3200 to less than 2400, by playing each programme more frequently. Seat prices will also rise.

Chairman of the board Stanley Beyer wants to play up the orchestra's involvement with the Hollywood Bowl. For years this was where the Philharmonic led its half down during soft summer nights. But now, with audiences regularly topping 13,000, its short 11 week season in the Bowl contributes almost \$15m of the orchestra's income. The Philharmonic earns at the box office each year.

Last week at the Bowl Salonen was previewing the music he is taking on the European tour: Lutoslawski, Sibelius, Carter and all, tough stuff in fantasy land. But the audience, much of it young and bussed in from the satellite communities which make up L.A., appreciated the fact that their new young maestro was treating them as adults. Like Simon Rattle in Birmingham, Salonen is toughening up the programme but taking a larger audience along with the ride.

As he says, "there is a certain spirit of enterprise in L.A. People are ready to experience new things. There is no preconceived idea of what is right or wrong. Audiences are more able to accept the new. It can be unconventional easier here than anywhere else. It is a city of disasters and entertainment." He will be hoping to emphasise the entertainment side at the Proms next week.



Cool Finn: music director Esa-Pekka Salonen

Edinburgh Festival

Synge's 'Well of the Saints'

Blind, cope with world, return to sight. How, within 15 days, two plays, each by an important playwright, tackling this particular theme: one a world premiere (*Molly Sweeney*) by Brian Friel, the other a rarely performed play from 1905, *The Well of the Saints*, by J.M. Synge. The playwrights intensely Irish. These plays share a paradise-lost view of the world - a view that to taste of the tree of knowledge is to shatter all con-

Alastair Macaulay is reminded of other Irish playwrights - Friel and Beckett

temptment - and they suggest that that view is profoundly Irish.

The Well of the Saints actually deals with a blind couple, a middle-aged man and wife both miraculously cured by holy water. Unlike *Molly Sweeney*, this is what most people would call a real play. L.A. the characters talk to each other, there is a specific locale, and things happen in the present tense. And it is morally complex.

These two blind people, Martin and Mary Dou, were never saints and acquire no lot of sainthood. Full of complaints in the first place, and deeply distrustful of those who have sight, they had both been convinced that each other was a physical beauty, and on recovery of sight, they both become obsessed by the importance of good looks. The notion that ignorance was bliss is a condition they only gradually and painfully realise. Nor can they teach them compassion. They are, at the end, much the same grumbling as they had been at the start.

The bare and ruined place where the action (or inaction) occurs, and the bleak spiritual

outlook of the play, also prefigure the work of Irish playwrights - Beckett. But *The Well of the Saints* is, above all, recognisably by the author of *The Playboy of the Western World*. It has the same richly poetic use of Irish speech patterns, the same irony and tragic-comedy quality, and the same romantic sense of how ordinary poor people are torn between sensual passion and respect for social order.

"Put down your can now, and come along with myself, for I'm seeing you this day, seeing you, maybe, the way no man has seen you in the world," says the seeing Martin Dou to another woman, Molly Byrne, in Act Two. "Let you come on now, I'm saying, to the lands of Iveragh and the Reeks of Cork, where you won't set down the width of your two feet and not be crushing fine flowers." He is no beauty and no saint, and yet Molly, "a fine-looking girl", is for a while mesmerised by his words. There are better, lovelier, kinder folk who have no such poetry in them. In such moments, the play has as strong a sense of the miraculous as when it shows the power of holy water. And this production, directed by Patrick Mason at Dublin's Abbey Theatre, underlines them, with changes (lighting designed by Trevor Dawson) from ordinary daylight to a peculiar light that half-silhouettes the characters. Sometimes Mason shows less feeling for the Beckettian inaction of the play. As played currently at Edinburgh's King's Theatre, parts of Act Two, in particular, drag. And I think Martin's near-seduction of Molly would have half its effect without the fancy lighting. The Abbey actors, led by Derry Power as Martin and Pat Leavy as Mary, are all very fair, but the words have a life that could be ravishing and disturbing that they always make them. "I'm thinking it's a good right our have to be sitting blind, hearing a man turn



The Abbey actors Pat Leavy, Derry Power and Pat Laffan

round the little beam of the spring and feeling the sun, and we not tormenting our souls with the sight of the gray days, and the holy men, and the dirty girl is trampling the world," says Martin after losing his sight again: what notice could/should be more inside. The play, however, is merely about the degree of the production's success.

Meanwhile the production is an unusually large number of Synge's best-known

plays, *The Playboy of the Western World*. On the Edinburgh Fringe, the Scottish company Communicado is currently giving a thoroughly Irish production of it, directed by Gerry Mulgrew. At times the language is played more for its own charm than for its disturbing force; and only Kelly, in the role of Preen, goes for a thoroughly three-dimensional production of a role. The Communicado house style, with its strikingly imaginative ensemble effects of

physical theatre, some fine contributions here and there. And in the relatively small space of Traverse's main auditorium, the play's potent poetry, comedy, and intimate scale all work remarkably well.

The Well of the Saints is at the King's Theatre, Edinburgh, until 28 August. The production of the Western World continues at the Traverse until September 8.

Theatre in London/Malcolm Rutherford

The Winslow Boy

The steady revival of Terence Rattigan's reputation as a playwright is in danger of being halted in its tracks by this remarkably inept production of *The Winslow Boy* at the Globe. Admirers of Rattigan, however, need not have undue fears: the faults lie not in the play, but in the performances and the direction.

The Winslow Boy was first performed in 1946 just after the end of the second world war, but is set shortly before the outbreak of the war in 1914. Surely the juxtaposition matters. The piece is about England in a changing world.

Some of the background is factual. George Archer-Shee was expelled from the Royal Naval College at Osborne because he was thought to have stolen a five shilling postal order from a fellow cadet. The appeals against his judgment went to the House of Commons and the boy was exonerated. The play is loosely based on that, but being Rattigan there is more to it. We never know in the end whether the boy was guilty or

not. The question is whether it is worth the case, which disrupts an entire family because of the publicity it creates, and whether there is really so much to be said for an English legal system which can devote so much time to one small affair while the country is on the verge of war.

You can argue about that as much as you like, that is one of the merits of the play. Yet where the direction by Wyn Jones falls down is in painting the Winslow family as a bunch of Edwardian fogies, young and old, from the start. This is a travesty.

The Winslows may not be rich, but they are comfortably off, the father having recently retired from a senior post at the Westminster Bank. He is well read, sometimes witty and refers to Voltaire. The elder son, Dickie, goes to Oxford, even though he ploughs his exams. The family is also liberal. Daughter Catherine (well played on a bad night by Eve Matheson) is a voluntary worker for the suffragettes, but has no problems about living at home with her middle class

background; nor has the family in accommodating.

The Kensington home must be quite decent, even smartish. A female journalist asking about the case is attracted by the curtains - a new material from Barkers. In the designs by Mark Bailey, the curtains cannot even be seen from the middle of the stage: the rest of the set is entirely drab.

What we should be watching is the tranquillity of Edwardian England disturbed by a moral family dilemma and thoughts of war in the background. The family should visibly age as the Winslow case drags on; in this production, they are prematurely old to start with, and that includes the boy himself.

Simon Williams is not nearly sharp or suave enough as the King's Counsel who gets the boy off. But, as I say, much could be retrieved if Wyn Jones would get it in the audience, note the slowness of the pace and the general style, then give the show a new look.

Globe Theatre, 0711 484 5085

Promenade concert/John Allison

Wigglesworth's Shostakovich

Tuesday's richly rewarding Prom of Mahler's *Rückert Lieder* and Shostakovich's Seventh Symphony reminded me of Mark Wigglesworth's position as one of Britain's most gifted young conductors. On a purely technical level, he drew disciplined, polished playing from the BBC National Orchestra of Wales - and, in terms of decibels, some of the stillest orchestral pianissimos and most shattering fortissimos the Albert Hall has heard in a long time - but his interpretations gave notice of a mature, musically minded.

The "Leningrad" Symphony is no means a work that plays itself and Wigglesworth, unencumbered by score, welded a coherent account of the 80-minute epic. The open-

ing bristled with excitement, the great sonorous octaves given out with unerring precision: the orchestra marched through the first-movement ostinato, building it up inexorably to a point where it indeed seemed like an advancing army, capable of obliterating anything.

But, as we now know, the symphony is about more than only - only! - the German siege of Leningrad; and Wigglesworth sought, and found, the deep seriousness of emotion and suffering in its middle movements. It was a long time in the hall with more than one kind of institutionalised violence and further confirmation of this comes in Elizabeth Wilson's new Shostakovich A.D. 1947, the composer's friend Flora

Litvinova recalls him saying, "this music is about all forms of terror, slavery, the bondage of the spirit... not just about Fascism, but about our system, or any form of totalitarianism".

Wigglesworth had also been at one with the composer's intentions in the *Rückert Lieder*, proving himself a sensitive accompanist. Thomas Allen, on best of form, was the consummate soloist, bringing the elegance and musicality that require. The *Lieder* caught the essence of the poet's mood, the stillness of "Ich will eine der Ibsen", the drama of "Um Mitternacht", and the resignation of "Ich bin nicht abhandeln gekom-men". All were hauntingly memorable.

INTERNATIONAL ARTS GUIDE

EXHIBITIONS

AMSTERDAM Rijksmuseum The Renaissance Print 1470-1500: a superb survey including works by Andrea Mantegna, Albrecht Dürer and Lucas van Leyden. The selection emphasises the diversity of printmaking and variety of techniques used, and includes devotional prints, landscapes assembled in albums, early colour prints and immense ensembles, such as Jacopo da Barbari's View of Venice. Ends Oct 30. Closed Mon.

Van Gogh Museum Van Gogh's Self-Portraits: 20 paintings and two drawings dating from his stay in 1886-7. Ends Oct 9. Daily.

BERLIN Berlinische Galerie Raoul Hausmann (1894-1971): retrospective of one of the leading figures of the avant-garde in 1910-20. Ends Oct 2. Closed Tue.

Ephraim-Paisels Berlin Painting from 1910-20. Ends Oct 2. Closed Mon.

HILDESHEIM Roemer und Pelizaeus Museum

Berlin galleries, starting with German Romantic painter Karl Friedrich Schinkel. Ends Oct 23. Closed Mon.

COPENHAGEN Glyptotek Sculpture from Denmark's Golden Age: an exhibition focusing on Bertel Thorvaldsen (1770-1844) and his pupils and contemporaries. Ends Sep 20.

DETROIT Institute of Arts John James Audubon: 90 original watercolours which the early 19th century painter made for his famous print series. Ends Oct 23.

ESSEN Villa Hügel Paris - Belle Epoque: an evocation of the period from 1880 to 1910 with paintings, drawings, posters, photographs, glass and furniture. Ends Nov 13. Daily.

FLORENCE Palazzo Pitti Royal Treasures from Denmark: silver furniture, royal costumes and ivories dating from the era of Frederick IV of Denmark, who visited the court of Cosimo III in Florence in 1709. Ends Sep 11.

HAMBURG Kunsthaus Masterworks from the Guggenheim Collection: 60 paintings by Picasso, Braque, Dubuffet, Bacon, Chagall, Kandinsky and Miró. Ends Sep 25.

David Hockney: drawings from 1954 till the present. Ends Oct 10. Closed Mon.

HILDESHEIM Roemer und Pelizaeus Museum

China - Cradle of Culture: a survey of Chinese art and culture from the third millennium before Christ until the 19th century, including ceramics, porcelain, metal sculptures, paintings, calligraphy and textiles. Ends Nov 27. Daily.

LAUSANNE Musée d'Art Contemporain Contemporary Picasso: 80 works 1946-1971, including 30 paintings and a dozen sculptures. Ends Sep 25. Daily.

Musée Olympique Miró: 41 sculptures covering his entire career, plus 13 prints from the 1960s and 70s. Ends Sep 4. Daily.

Musée Central des Beaux-Arts René Aubert (1872-1957): retrospective of the widely-travelled Lausanne artist, who was influenced by Impressionism and Picasso. Ends Sep 27. Closed Mon.

Fondation de l'Hermitage Zborowski's L'Art - Modigliani, Cézanne and 100 works conjuring the aesthetic favoured by the early 20th century Parisian art dealer. Ends Oct 23. Closed Mon.

LONDON British Museum Greek Gold - Jewellery of the Classical: a beautiful show of intricate craftsmanship, bringing together works from the Hermitage, British Museum and Metropolitan. Ends Oct 23. German Printmaking in the Age of Goethe. Ends Sep 11. Daily.

Gallery R.B. Kitaj retrospective. Ends Sep 4. Turner's Holland. Ends Oct 9. William Blake - Art and Revolution: an exhibition focusing on the English output in the 1790s. Ends Oct 16. Daily.

Victoria and Albert Museum Pugin - A Gothic Passion: retrospective of

the 19th century British architect and designer. Ends Sep 11. Daily.

National Gallery From Caspar David Friedrich to - Romantic Tradition - Paintings and Drawings from the Oskar Reinhart Foundation. Ends Sep 4. Daily.

Royal Academy of Arts The Belgian Avant-Garde 1890-1900. Ends Oct 2. Daily (advance booking 071-240 7200).

Courtauld Institute The Samuel Courtauld Collection: top-class Impressionist paintings originally in the private collection of the institute's founder, with loans from the National Gallery and other collections. Ends Sep 25. Daily.

MARTIGNY Fondation Pierre Gianadda From Matisse to Picasso, Masterworks from the Gelman Collection. Ends Nov 1. Daily.

METZ Arsenal Gold of the Gods: more than 600 exhibits, comprising pre-Colombian jewels, ritual knives and masks. Ends Oct 2 (tel 4410 7303).

MUNICH Kunststiftung El Dorado: 300 gold and ceramic treasures from pre-colonial Columbia. Ends Sep 4. Daily.

Villa Stuck Dream Time - Tjukurpa: more than 40 works by contemporary Aboriginal artists from the Australian desert. Ends Oct 16. Closed Mon.

MUNSTER Landesmuseum Eva Heese (1836-1970): retrospective of the German-American artist, including experimental sculptures and Expressionist paintings.

Ends Oct 16. Closed Mon.

NEW YORK Metropolitan Museum of Art Picasso and the Weeping Women: 80 paintings and works on paper from the 1930s and 1940s. Ends Sep 4. The Annenberg Collection of Impressionism.

Post-Impressionist Masterpieces. Ends Nov 27. Daily - The Early Years. Ends Sep 18. Closed Mon.

Museum of Modern Art From Manet to Picasso - Masterpieces from the David and Peggy Rockefeller Collection. Ends Sep 6. British Drawings 1890-1990. Ends Sep 13. Closed Wed.

Whitney Museum of American Art Edward Hopper (1882-1967) and Jack Pierson (b.1982): the latter has selected 20 works by the former, and placed them alongside his own work. Ends Sep 11. Joseph Stella (1877-1946): more than 200 works by the American modernist. Ends Oct 9. Closed Mon.

PARIS Musée d'Orsay Nadar, Photographs 1854-85: Nadar was a friend of writers and painters, whose portraits raised photography to a creative art. Ends Sep 11. Closed Mon.

Centre Georges Pompidou Joseph Beuys: retrospective of one of Germany's leading avant-garde artists of the postwar period. Ends Oct 3. Closed Tues.

Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles.

ROTTERDAM Museum Boijmans-van Beuningen Regal Silver: early 20th century silverware from the museum's

collection, plus the first public showing of the entire 97-piece silver service presented by the city of Amsterdam to the royal family in 1901. Ends Sep 25. Closed Mon.

SPYER Historisches Museum der Pfalz Romanov Treasures: 200 pieces from the St Petersburg Hermitage, including jewellery, objects d'art, paintings, furniture and costumes, collected during three centuries of Romanov rule in Russia. Ends Sep 18. Daily.

STOCKHOLM Nationalmuseum Swedish Glass pre-1900 and Today: an exhibition focusing on glass for the table, including a Kungsholm goblet from the late 17th century. Ends Sep 4. Closed Mon.

STUTTGART Staatsgalerie Italian Drawings 1500-1800: a representative selection of the large, high-quality Stuttgart collection, built up over the past two centuries and including work by Giambattista and Tiepolo. Ends Sep 4. Closed Mon.

Linden-Museum Art of the Aborigines: 90 wood paintings and 40 sculptures. Ends Sep 25. Closed Mon.

VENICE Antichi granai della repubblica Veneta in 220 BC - The Warriors of X'art: ten of the 7,000 lifesize terracotta soldiers who guarded the tomb of Emperor Qin Shihuangdi in central China, along with copies of war chariots and weapons discovered in one of this century's most dramatic digs. Ends Sep 11. Daily (the old granary on the tip of the Giudecca).

Palazzo Grassi Renaissance Architecture from Brunelleschi to

Michelangelo: 250 works from European and American public collections. Ends Nov 6. Daily.

WASHINGTON National Museum of Art William M. Kooning's Paintings: 75 works by American abstract expressionist. Ends Sep 5. From Minimal to Conceptual Art - from the Vogel Collection: 90 drawings, photographs, paintings and sculptures by contemporary artists including LeWitt, Christo, Rymen, Beuys and Flavin. Ends Sep 27. Daily.

Freer Gallery of Art Chinese Calligraphy: the exhibition focuses on varied uses of calligraphy on 36 decorative and utilitarian objects made of clay, lacquer, jade, bamboo, silk and wood, dating from the 7th to 19th century. Ends next May. Egyptian Glass: 15 brilliantly coloured glass vessels dating from the second millennium BC. Daily.

WEIMAR Staatliche Kunstsammlungen Weimar: a multidisciplinary survey, using Goethe's extraordinary range of interests as the framework for a study of the art, science and ideas of his time. It includes Goethe's own art collection, 40 portraits of Goethe, art influenced by Goethe and illustrating his geological and meteorological studies, plus works by Raphael, Watteau, Turner and many others. The exhibition aroused considerable interest earlier this year when it was first shown in Frankfurt, and has now moved to the town in eastern Germany where Goethe lived most of his life. Ends Oct 30. Closed Mon.



PERSONAL VIEW

Nor ■■■ Commons' method
of doing business ■■■■■ to
command respect. ■■ ■■

Westminster is losing power to other groups: the quangos which it has comparatively little control, the financial community - it is pointless for MPs to tramp through the voting lobbies to deliver a

Sue Cameron
The author presents *Witness* on *Newsnight*. She has completed a film, *Witness: Condition Critical*, examining the role of the Commons for BBC2.

Mr. Sharif, whose government collapsed last year amid arguments with the powerful army and with the then-president, Mr. Ghulam Ishaq Khan, and who now leads the parliamentary opposition, seems to have been trying to restore the Bhutto. As the former foreign ministry said, Mr. Sharif's words were "a political statement made by a politician."

Bhutto: nuclear issue has damaged Pakistan's ties with the US

Despite some back-sliding, Ms Rhufo has mainly stuck to Mr Qureshi's programme. She has reduced the fiscal deficit, imports and bank lending - all of which soared under Mr Sharif. While inflation remains high, running recently at 11 per cent a year, both the IMF and the World Bank have praised the government's performance.

GDP growth in ■■■■
The government is also making progress with economic restructuring. Measures taken ■■■■ in import tariffs, deregulation, privatisation (notably preparing ■■■■ sell ■■■■ PTC, ■■■■ state-owned ■■■■ monopoly) and making ■■■■ rupee fully convertible ■■■■ the ■■■■

Mr Bhutto largely on the back of the international popularity of emerging nations earlier this year.

Yet further economic advances will depend on Pakistan building on its relative political stability.

Mr Bhutto said that Pakistan was as secure as any democratically-elected nation. "We don't have a democracy in any sense now or have a

ment. Islamabad is most unlikely to abandon its nuclear know-how. It has no intention of even capping its nuclear programme at current levels. India also does so. India will not consider such a move unless China and other big nuclear powers also halt their weapons development.




Mr. Gandhi's statement does not change these realities. But by drawing the world's attention to truths which Pakistan prefers to keep hidden he has done his country no favours.

The author presents *Newsnight*. She has completed a film, *Whitewater: Condition Critical*, covering the trial of the *Cannons* for BBC2.

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From Sir Peter Lawrence.

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مفتد اعن الاصل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
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Friday August 26 1994

China's next revolution

There can be no turning back. After a 15-year roller-coaster of market-led economic growth, China is set on a path which will change it from a largely agrarian society to an urban one.

The report prepared for the government by the National Academy of Social Sciences makes that aspect of China's future clear enough. What the country's rulers appear to see less clearly is that they must change with it.

Many of the changes in China which the Academy expects to occur over the next few decades are already well under way. By 2010, the study predicts that half the population will live in towns, compared to 28 per cent today.

Twelve years ago, the proportion was barely 10 per cent. It was the poverty afflicting the remainder, in the countryside, which drove the government's first moves towards liberalisation in 1979, when it freed most of the rural goods markets. Yet the steady marketisation of the rest of the economy in the years which followed is still causing mass migration which the country's rulers struggle vainly to control.

The mushrooming of the towns and cities has made the cracks in China's new economic structure worryingly apparent. The current distribution network ill serves the cities' growing demand for basic staples. A large part of the 22.7 per cent increase in urban consumer prices in the year to July was due to rising food prices. These, in turn, were the natural consequence of the government's erratic attempts to lift its last remaining price controls on essential foodstuffs.

Rapid urbanisation

Conclusively lifting the restrictions on food prices is a necessary, but by no means sufficient, element of any attempt to manage China's rapid urbanisation. Artificially low food prices can only fuel faster migration, thus adding to the strains on the system. Agricultural prices fell by more than a third relative to industrial ones over the period 1989-93; the recent rise is a necessary correction. Unfortunately for the government, it is not a popular one: rising food prices and shortages threaten to

cause considerable urban unrest. At least some traders, both wholesalers and retailers, exploit the situation with capitalist ingenuity.

The problem is symptomatic of China's structural growing pains as it continues a second decade of double-digit economic growth. So, too, is the government's reaction. At the root of the disquiet in the cities is the fact that the distribution system which takes food to the cities is grossly under-developed, while the zeal for profit at different stages of the chain is rather more mature.

Reference prices

In addition to sporadic injections of extra food supplies, the government has tried to address the issue by re-introducing "reference prices" for staple food items, with penalties for those who charge more. An official statement this week promised to monitor retailers even more vigorously. At the same time, officials have declared that the government will henceforth take a stronger role in distributing food from country to town, in order to improve supplies and stabilise prices.

Both policies are misguided. The government cannot prevent traders from taking advantage of goods shortages in the cities. Nor can it hope to mimic the market if it takes a more active role in the distribution of food and other goods. In less, not more, like intervention is an unpredictable heavy-handed command and control manner of regulating problems in ill-suited today.

The government's role in the market economy which China is rapidly becoming may have to be more laissez faire, but this does not leave it nothing to do. Markets must operate, not according to "reference prices", but a framework of legal rules. Ultimately, it is the lack of such a framework which fuels the micro-economic problems of profiteering and instability which trouble China today. This is the challenge the government must face: using yesterday's tools to tackle the symptoms of a new

A qualified success story

coursework being assessed by colleges funded in part according to their students' success rate, there is a worrying potential conflict of interest. The pilot scheme is heavily policed by government inspectors, who passed the results with a clean bill of health, but much more rigorous internal checks and balances will be needed.

It is not a time. By international standards, the results are appalling. According to the National Research, 64 per cent of the qualifications (GNVQs), announced yesterday, deserve at least a qualified well-earned. They are the government might have found the right vehicle delivering desperately needed improvements in the UK's skills.

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Employers impressed
Employers may well be impressed by the fact that only a third of the candidates who set out on pilot GNVQ courses last year completed them. On the print year's evidence, the qualification cannot be described as a sell of V option. But so much weight has been put on the qualifications that Van further improvement is still necessary.

The Department for Education appears to have recognised this, and has presented the bodies SER with a series of reforms. It is imperative that they are implemented if the respect of universities and employers is to be maintained. The 1 Ministers want tougher objective testing, better training for external verifiers, clearer grading. At present, with most

Theoretical grounding

The education department also wants clarification of what knowledge is needed for a GNVQ. Without this, the pilot might fall victim to a problem which has bedevilled NVQs, which are designed to test candidates' knowledge, rather than their knowledge. Critics complain that this produces results without sufficient theoretical grounding in basic mathematical and scientific principles. And as a result the government is now spending £31m on a review of the structure and content of all GNVQs.

In continental European training schemes, vocational courses are studied alongside discretely taught general education in mathematics and language. Such skills should be explicitly required in GNVQs, and taught independently.

Ultimately, the government's problems concerning both vocational qualifications (NVQs) and GNVQs are that more subjects are studied - a move which ministers regrettably seem to consider. This would mean GNVQ candidates to gain the right skills by taking separate A-levels in maths, sciences or foreign languages as appropriate.

The remaining question-marks over GNVQs are that more subjects are studied - a move which ministers regrettably seem to consider. This would mean GNVQ candidates to gain the right skills by taking separate A-levels in maths, sciences or foreign languages as appropriate. The remaining question-marks over GNVQs are that more subjects are studied - a move which ministers regrettably seem to consider. This would mean GNVQ candidates to gain the right skills by taking separate A-levels in maths, sciences or foreign languages as appropriate.

As the healthcare system in Washington nears a climax, an equally fierce struggle is getting under way in Moscow. Faced with a growing public health crisis, President Boris Yeltsin issued a decree requesting the Russian ministry of privatisation to tackle healthcare. His proposals are now being debated in the health committee of the duma (lower house of parliament); if implemented, they will result in radical market-based reforms.

If one thing has brought home to Russians the disastrous decline in their economy over the past three years, it is the near-collapse in the country's public health system. Since 1992, male life expectancy has fallen from 63 to 59 years - 14 years below the average in countries belonging to the Organisation for Economic Co-operation and Development. Rising infant mortality, and a jump in stress-related deaths such as heart attacks, alcohol poisoning, as well as suicide and homicide, are all responsible for the decline. In addition, infectious diseases almost forgotten in the west, such as diphtheria and typhoid, have become common. Last year, for the first time since the second world war, more Russians died than were born. "Russia's trends since 1991," says demographic expert Mr Nicholas Eberstadt of the American Enterprise Institute, "are much like a country by war."

The public health crisis follows a precipitous drop in spending. Funding for healthcare in Russia was already low by international standards - about 3 per cent of gross domestic product compared with 6 per cent in the UK and 12 per cent in the US. For the past two decades that 3 per cent has been mispent, thanks to financial incentives which reward inefficiency and poor treatment. Over the 12 months of 1991, however, real healthcare spending dropped by 36 per cent. Despite the introduction of employer-paid compulsory medical insurance, real expenditure in 1994 is still expected to be at least 10 per cent below 1991 levels.

Lack of money has led to a freeze on capital investment, at a time when the condition of most Russian hospitals is appalling. A quarter lack even central heating, and nearly half do not even have a bath or shower on the premises. One leading hospital in Moscow has resorted to putting cats into the operating theatres to control mice and vermin.

These problems are set to worsen. Russian enterprises, which have traditionally provided a decent quality of healthcare for employees and their families, are getting rid of "social assets" such as hospital beds to compete more effectively in the new market economy. They have already reduced their share of beds from 10 per cent to less than 3 per cent of the total, and will soon begin to phase out their "polyclinics" (which combine general practitioners and specialists).

One of the most serious aspects of the crisis is the drastic reduction in the supply of essential drugs. In 1993, Russia produced 59 per cent of the requirements for cardiovascular drugs, with most of the remainder imported cheaply from eastern Europe. By 1993, Russia produced only a third of these drugs and due to hard currency imports met only 65 per cent of total demand. Because of the collapse of distribution, the ministry of health estimates that 45 per cent of demand for basic drugs will go unmet.

The result is the rapid development of a black market in healthcare. Prices are quoted freely for most procedures; you can pay a set fee (to a hospital official, doctor, or even a worker in the laundry) to jump waiting lists for operations; and even children and pensioners, who are supposed to receive free medicine, must pay for the most basic drugs. Doctors supplement their official salaries of £100 per month with under-the-table payments from patients. In the case of specialists, these payments can increase their earnings as much as

tenfold. Almost every hospital service can require a "tip" - even a bedpan has its price. Reformers have now placed healthcare at the top of Russia's political agenda. They blame the communist system for a legacy of poor healthcare, while hardliners see the current crisis as a byproduct of reform. "Our opponents will try to use this issue for a fantastic political battle between communist politicians and reformers," says deputy privatisation minister Mr Dmitri Vasiliev, one of the architects of Russia's privatisation programme. "But if we can find a mechanism to improve quality, it will be a major political advantage, showing that reformers can improve people's lives."

Ironically, among Mr Yeltsin's most intransigent opponents to reform of the system are the communists who run the ministry of health. Already bruised by decentralisation measures three years ago, and reluctant to give up more power, the ministry has failed to offer any plan for improvement. Consequently it is the privatisation ministry which has become the driving force of reform.

Its draft "Law on Privatisation of Health Facilities, Pharmacies, Medical Supplies and Pharmaceutical Industries" would enable healthcare providers to choose one of three routes: they could become non-profit organisations, limited partnerships, or joint stock companies. The proposals would not completely privatise healthcare providers but would permit them to become semi-private hybrids with greater autonomy. The idea is to enable hospitals to become a Russian version of the UK's National Health Service Trusts, run and managed by doctors, with the land and buildings lessened from the state. The Trust could seek partners in the private sector, among companies affiliated with the medical sector (drug companies, medical insurers, equipment suppliers).

Alvar Gullichsen, a Finnish artist, is taking Helsinki by storm. A kind of latter-day Heath Robinson, Gullichsen invents fanciful but functional "bank" machines. Bank came into the world to cheer up the people of the small town of Nystad - in south-west Finland - which was hit by serious unemployment when recession struck the local Sash assembly plant. Gullichsen set his associate, Henrik Helio, to produce bank machinery such as the Bank Freeway Transmuter, the Bank Electromagnetic Divider, the Bank Hiff Bank 600.

Since then the bank craze has swept the country. Helio now has 10 assistants turning out banking machinery at his Nystad workshop. The Bank Calendar - which focuses rather more on Miss Bank than bank machines - is, incidentally, most decorative.

Victor kudorum
It has been a busy month for Lord Mishcon, 79-year-old Labour peer. What with acting on behalf of Lord Palumbo in a trust fund spat with two children from his first marriage; helping Lady Diana in her mission impossible; and finally assisting Lord Archer in his

Russia's healthcare system faces collapse.
Linda Bilmes and John Lindquist
examine the political struggle over reform

The bear has a sore head



in polyclinics, the aim is to introduce greater competition and patient choice. For example, individual doctors would be able to set up on their own as general practitioners. Polyclinics could also opt for one of the privatisation routes. The duma would need to pass legislation to enable non-profit organisations to be created.

The new law would require the new healthcare entity to pledge to provide free healthcare to the local population, maintain capacity, and provide training as required by the ministry of health.

In the pharmaceutical industry the government is likely to retain a controlling stake for the time being. Pharmacies, wholesalers, and manufacturers of drugs and medical equipment would be privatised, according to the existing laws on state-owned assets, already applied in most other sectors of the economy. This aspect of the privatisation ministry's plan is a crucial step in helping to unblock the supply of drugs. Similar privatisation measures among food wholesalers increased the supply of fresh vegetables by up to 40 per cent.

The ministry believes that by introducing market mechanisms, health providers will have an incentive to rectify problems such as excessive hospitalisation (the average length of stay in hospital is about 28 days). Little attention to screening and disease prevention, and unsympathetic, surly care. However, this is the first time that it has attempted to apply market forces to a social service. "Our

approach to privatisation in the social sphere fundamentally differs from the material one in its aims and objectives," says Mr Vasiliev. "We want to provide better services to the population, and the basic means to achieve this is by introducing competition."

Mr Vasiliev admits that the privatisation ministry's current thinking is "very rough". But he is adamant any new healthcare system must guarantee universal access and special protection for children, pensioners, and needy groups. "In truth, rich people can pay but the system doesn't work at all for the majority of people," says Mr Vasiliev.

Ms Natasha Stupishvili, a ministry representative on the duma health committee, says the draft proposals will be discussed in committee during the autumn. "In our experience," she says, "the duma won't refuse to discuss a controversial topic. They just won't move forward."

Yeltsin himself is interested, so the discussions are likely to attract attention. The ministry aims to secure the enactment of a healthcare reform bill by next year. One complication is finance. Russia is still struggling to implement a 1991 law which decentralised healthcare funding to the regions and introduced compulsory medical insurance - a 3.5 per cent payroll tax paid by employers. The insurance scheme was supposed to become a significant source of revenue but it has not. According to Dr John LeSar, who has just completed two years as director of environment and health for the US Agency for International Development in Moscow, "the main problem is the complete lack of skills in the insurance sector, and in contracting, building statistical databases on costs, and managing the funds and transfers. Also, the system is seriously underfunded."

In the first half of 1994, compulsory medical insurance funds cov-

ered 20 per cent to 50 per cent of official health expenditure, varying by region, with the remainder financed by local and national government. However, the tax is earning only 70 per cent of expected revenue. According to a study by the Boston Consulting Group, even if yields could be increased to 95 per cent, it would require a 20 per cent boost in local government spending, or an increase in the tax to 5 per cent, to restore Russia's healthcare spending to 1991 levels. "Without changing the financial picture," says Mr Vasiliev, "it will not be possible to accomplish our objectives."

The conservative duma, facing elections in December next year, will be watching public opinion closely. At present, opinion is finely balanced. In a recent nationwide poll, 55 per cent of respondents said they were not satisfied with healthcare in Russia (29 per cent were satisfied); the reason most frequently cited is the shortage of medicine. One the other hand, 54 per cent of respondents agreed with the statement that "the healthcare system in Russia is basically sound and the problems are only temporary", and 52 per cent agreed that "allowing individuals and businesses to run the healthcare system will only make healthcare unaffordable for most Russians."

Nevertheless, both the public and the medical profession seem willing to give market forces a try. In a separate survey, 10 out of 10 doctors said that "competition among healthcare providers would result in better care at lower costs". And 76 per cent of the healthcare profession support the Trust hospitals idea. Among the public, 85 per cent say they would happily go to such Trust hospitals, regardless of whether they are non-profit or profit-making.

Perhaps the most striking result in the nationwide poll is the extent to which Russians are worrying about the future of their healthcare system. Fully 70 per cent of poll respondents say they worry "a great deal" that they "might be required to pay" for their family's basic care. This figure cuts across all regional and demographic lines, and rises to 81 per cent who worry about their ability to pay for a catastrophic illness.

"If I look at the situation in healthcare, and I look at the poll numbers, and I look at the lack of any credible alternatives, this issue is like a clear winner for the reformers," says Professor Jonathan Hay, an adviser to the privatisation minister Mr Anatoly Chubais. The reformers must convince the public that Russia's healthcare problems stem from years of communist ineptitude, not simply the poor economy. As Mr Eberstadt points out, "it is an inevitable economic crisis leads to healthcare crisis. When Latin America and the Caribbean had a debt crisis, and their economic output dropped by a third, their levels of mortality did not just shoot through the roof."

Some government officials fear that communists and anti-reformers will use the poll results to over healthcare and turn it to their advantage. "People's anxiety is not organised or vocalised at present," says Dr LeSar, "but could easily become so, if the anti-reform movement took up the issue. All it would take is a catalyst: somebody being turned away from a privatised clinic, or a cholera epidemic, for this to become an organised protest."

The authors, of the Boston Consulting Group, are advising the Russian government on healthcare reform

OBSERVER



"Why is it always me that has to drive the Panda car?"

The news broke that she was resigning as editor of the Sunday Express, the circulation of which has declined from 1.6m to below 1.5m since she joined the paper in 1991. Unusually lies the head that wears the crown.

Express delivery

Eve Pollard, resplendent in a skin-tight navy-blue dress and high heels, was yesterday morning in fine fettle, looking "much happier than normal", according to Observer's pole within United Newsweek's HQ. Apart from a man about the UN board getting agitated about competition from colour magazines, Pollard was positively beaming, if a little perturbed about budgetary pinches. And let a couple of hours later

One Seoul newspaper has suggested Korea retaliates by cancelling its contract to buy French high-speed trains, while the ministry of culture has lodged a protest with the French embassy. More cannily, the Korean government hopes to exploit the fracas by using it to get France to return ancient royal Korean documents, removed to Paris a century ago by a French military expedition. Chung's case will be sacrificed if the papers are returned, in which case his next performance will no doubt be The Miraculous Mandarin.

Munk & Co

When Brian Mulroney, the ex-Canadian prime minister, joined the board of Peter Munk's American Barrick, the feisty North American gold producer, it looked like the Hungarian-born entrepreneur was just adding another trophy name to his letterhead.

However, word is Mulroney has been jettisoned around the world on American Barrick business. Introducing executives to the president of Bolivia and opening doors in China. Indeed, an awe-struck Barrick official recounts how Mulroney called him from Russia this week to find out how the bid for Lac Minerals was going. Mulroney was asked whether he was speaking from a secure line. It

could hardly be more secure, was the response: "Boris Yeltsin is in the room next door."

However, one member of Barrick team who doesn't seem to have been earning his keep is Munk's highly-paid new spin-doctor, David Wynne-Morgan, the former head of Hill & Knowlton's European operations, hired two months ago. Since then Munk has done two of his most ambitious deals - Horsham's bid for a chunk of Trix and now Lac Minerals - and Wynne-Morgan has missed most of the action.

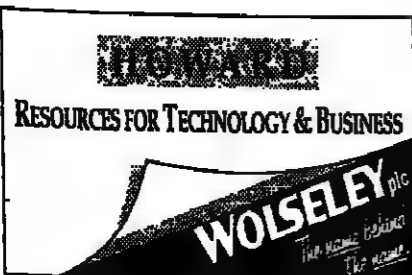
The excuse seems to be that his contract doesn't start till September 1 and anyway he has been counselling Munk by satellite phone and fax from the QREI where he has been instructing passengers.

Better check the fine print in those share options, Morgan.

Retrofit

Help. What on earth do you do when you get the following letter from the Bank of Scotland?
Dear Sir, we hereby give you notice that by retrocession dated 2/8/94 Bank of Scotland have retrocessed, repaid and restored...
Answers please to Lyndon Jones, managing director, Pointon York, (Fax No 0233 546028), who promises a bottle of champagne for the best English translation.
Jones' decision will be final and Bank of Scotland officials are not eligible to enter.

Handwritten signature or note at the bottom of the page.



FINANCIAL TIMES COMPANIES & MARKETS

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Friday August 26 1994

HENRY BUTCHER
International Property
& Plant Consultants
071-405 8411

IN BRIEF

Saab helps investor treble profits

Investor, the most important holding company of Sweden's powerful Wallenberg empire, has pre-tax profits more than three times in the first half, after a strong rebound at Saab-Scania, its wholly-owned vehicle and aerospace unit. **Page 17**

Krupp Hoechst cuts its losses
Krupp Hoechst, the merged steel and engineering group, has cut its losses to DM47m (US\$28m) for the first six months, from a DM334m deficit for the same period last year. It is expected that it would break even by the end of the year and that steel would be the only one of the six divisions to make a loss. **Page 16**

Swedishbank downgrades forecast
Swedishbank, the Nordic region's largest bank by asset value, punctured some of the optimism in the Swedish banking sector by downgrading its full-year underlying earnings forecast because of worries over the national economy. **Page 16**

MAS faces thorough restructuring
Malaysian Airlines (MAS) will undergo a thorough restructuring in order to boost profit levels. **Page 17**

Dell back in the black
Net Systems at Dell Computer, the US personal computer manufacturer, staged a recovery to \$38.6m in the second quarter, from a net loss of \$75.7m last year, as it refocused on direct sales via telephone and mail order. **Page 17**

Mitsubishi rebounds
Mitsubishi Electric Industrial, the leading Japanese electronics group which makes consumer products under the Panasonic and Technics brands, staged a one-third rebound in underlying net profits to ¥1.8bn (US\$13m) in the first quarter to June. **Page 17**

GE Capital plans Japanese move
GE Capital, the finance arm of the US electronics group, is planning to move into the Japanese consumer finance market through the purchase of a consumer credit business. **Page 18**

Rentokil disappoints
Rentokil, the UK pest control and property services group, reported a sharp drop in profits of Securiguard, its recently-acquired subsidiary, in the first half of 1994, but it disappointed the city with only 14 per cent organic profit growth. **Page 18**

US depresses Willis Corroon
A poor performance in the US depressed interim profits at Willis Corroon, the UK insurance broker. **Page 19**

Body Shop splits pursued
Body Shop International, the cosmetics and toiletries group, was pursued by local shareholders and activists with four separate releases of liquids from its New Jersey plant in the past few years. **Page 19**

Rental market buoyed up Slough
Rental market, the UK's largest industrial property company, announced a 16 per cent increase in first-half profits to £33.2m, reflecting an improving rental market. **Page 19**

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Chief price changes yesterday			
FUNDAMENTAL (Pm)		PARSES (Ppm)	
Flises		Age	255.9
Damier	17.5	King Dams	48.0
Domestic Hdd		Capt Hat	467.9
Unit	11.5	Fran Lyon	729
Linde	15	France	194
Flises		Rechnen	
Flises			
Asia Pst	103	15	
NEW YORK (Pm)		TOKYO (Yen)	
Flises		Flises	
Dn	433	4	24
Ed	616	1	1
Ed	42	1	1
Unit	42	1	1
Unit	42	1	1
Flises		Flises	
Comp/Int	112.5	1	1
Unit	72	1	1
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New York prices at 12.30pm			
(Pence)			
Release			
Charter	521	+	25
Computer's Fin			
Eastern Elect	348		26
French Connect	223		
Wall Street	648		37
Life Sciences	153		8
Software Inc	456		13
Telecom	506		24
Telecom Amer	371		11
Telecom Amer			14
Safety	55		+
VISA	508		
Yorkshire Elect			
Platts			
Marathon Crude	49		-
	74		-
Amoco & PI	41		-
News Int Sp Dr			-
	225		-

■ Analysts say results are better than expected ■ Pre-tax profits fall 25% ■ Sales decline 10%

Toyota blames rising yen for downturn

By Michio Nakamoto in Tokyo

The severity of the downturn in Japan's auto market and the impact of the sharp appreciation of the yen were highlighted yesterday as Toyota, the country's largest carmaker, reported a 25 per cent decline in unconsolidated pre-tax profits for the first six months of the year to ¥1.8bn (US\$13m) from ¥2.3bn on sales of ¥15.5bn (US\$115m). The company said the yen's rise and sluggish demand in its home market and Europe were key factors behind the disappointing performance.

Industry analysts estimated the company's results which were in line with, if not better than, expectations and forecast that Toyota would see a rebound after the stringent cost-cutting measures as the Japanese economy picks up.

The company was able to make ¥150bn of savings, of which ¥100bn was derived from improvements at the design stage. A further ¥50bn was saved by cutting costs at production facilities in North America and Europe.

However, the benefits of these measures were eclipsed by the rapid rise of the yen. Toyota said that the yen's appreciation had cost it ¥160bn in operating costs while slower sales cost it ¥70bn.

In the domestic market Toyota suffered a 4 per cent decline in sales of vehicles to ¥3.21bn (US\$24.5m) while pre-tax profits fell 25 per cent to ¥1.8bn (US\$13m) from ¥2.3bn (US\$17.5m) in the same period last year. This was due to increased overseas production.

Consolidated sales were down 8 per cent to ¥9,362.7bn (US\$71.1bn) from ¥10,110.7bn (US\$77.1bn) in the same period last year. Group pre-tax profit fell 27 per cent to ¥1,800.0bn (US\$13.5m) from ¥2,300.0bn (US\$17.5m) in the same period. Dividends are unchanged at ¥19 per share.

The company expects to see an improvement in its performance in the current fiscal year with the introduction of new models which meet the needs of increasingly cost-conscious customers and as recovery takes hold in Japan and Europe.

Hutchison matches bullish forecasts with 48% surge

By Louise Lucas in Hong Kong

Hutchison Whampoa, the Hong Kong conglomerate controlled by Mr Li Ka-shing, yesterday surprised the market with a 48 per cent rise in first-half net profits to HK\$3.7bn (US\$480m), up from HK\$2.5bn in the same period last year.

Only the most bullish forecasts anticipated the rise, which was perked up when the company reported a 48 per cent increase in first-half net profits to HK\$3.7bn (US\$480m), up from HK\$2.5bn in the same period last year.

Analysts attributed the performance to strong management under Mr Canning Fok, managing director, who has shaken up divisions and overseen a return to traditional interests, namely China, ports and property.

Hutchison was also helped by the elimination of the loss-making Telepoint service in the UK and last year's disposal of shares in Star TV. These moves were provided by a higher contribution from associate Hongkong Electric - where interim results rose 30 per cent to HK\$1.73bn - and the swollen interest in Hongkong International Terminals (HIT).

HIT's facilities were expanded over the period and total throughput was up 27 per cent year-on-year. The ports in Shanghai and Zhushan, in which Hutchison has stakes of 40 per cent and 50 per cent respectively, are both turning in profits. The contribution grew from the UK Port of Felixstowe, which is now wholly owned by the group. A letter of intent has been signed to take a 50 per cent stake in the building and operating of a three-bay deep water trans-shipment container terminal in Freeport, Grand Bahama.

The increase in profits was struck on a 22 per cent improvement in turnover, up to HK\$11.5bn from HK\$9.4bn. Earnings per share rose 38 per cent to HK\$1.03, from HK\$0.74. Shareholders are to receive a dividend of 26 cents, a 37 per cent improvement over the 19 cents paid out at the interim stage last year.

Mr Li Ka-shing, chairman, said the company had built up a portfolio of joint-venture property development projects in China. "In time these should enhance the group's development profit and recurrent income," he said.

Hutchison plans to open its Park N Shop supermarkets in Shanghai later this year and is testing its Watson's chemists in Malaysia.

The UK personal communications service, Orange, in which Hutchison has a 55 per cent interest and which went into operation in late April is expected to take a few years to move into profit.

Cheung Kong ahead, **Page 17**



Canning Fok: shock up divisions



Li Ka-shing: China development

Bayer's recovery speeds up in second quarter

By Christopher Parsons in Bonn

The profits recovery at Bayer, the German chemicals giant, continued with a 30 per cent rise in second-quarter earnings, bringing the advance this year so far to 24 per cent.

The group, which started the year predicting a profits advance of up to 20 per cent for the full 12 months, yesterday reported first-half pre-tax profits of DM955m (US\$580m) on sales up 6 per cent to DM2.5bn.

Interim pre-tax earnings at rival Hoechst, published earlier this week, rose 39 per cent to DM1bn on barely changed sales, while profits at BASF rose 41 per cent at the halfway stage.

Like its competitors, Bayer yesterday indicated that falling prices were still a problem. Turnover at its parent Bayer AG was unchanged because a 4 per cent drop in prices cancelled out 7 per cent volume growth. The sales figure was also diluted by the transfer of the fibres business into another part of the group.

Turnover at European subsidiaries edged upwards to DM1.3bn, while north America recorded 9 per cent more sales. Asia, Africa and the Pacific region advanced 19 per cent.

All operational sectors contributed to the recovery, with chemicals growing particularly strongly. Healthcare improved 6 per cent, while growth in consumer products sales, mainly in the Agfa film and tape business, was limited to 2 per cent. Bayer blamed poor domestic demand. The group attributed part of the profits progress to higher capacity use and cost-saving measures.

As with the other German chemicals groups, Bayer has continued pruning costs, especially in domestic operations. The total workforce fell 2,600 in the period and the rise in personnel costs was limited to 2 per cent despite higher social security costs and adverse exchange rate shifts.

Weir Group pays \$210m for US EnviroTech Pumpsystems

By Paul Taylor in London

Weir Group, the Glasgow-based pumps and engineering group, is paying \$210m to acquire EnviroTech Pumpsystems, a leading US manufacturer of specialist pumps.

The acquisition will be partly funded through a proposed one-for-four rights issue of about 38.5m shares at 25p each to raise \$96m after expenses.

The rights issue has been fully underwritten by Morgan Grenfell. The balance of the purchase price will be in cash and the enlarged group will have little or no gearing.

The group announced a 10.6 per cent increase in first-half pre-tax profits yesterday to £2.8m (US\$16.5m) but admitted that orders in the second quarter had fallen off from the strong first quarter. Weir Group shares closed 2p higher at 304p.

EnviroTech, a pump manufacturing group headquartered in Salt Lake City, Utah, is part of the Baker Hughes group. In the year to September 30, EnviroTech reported pre-tax profits of \$21.7m on sales of \$220.8m with net assets of \$88.3m.

Weir has been looking for an acquisition which would improve the international balance of its pump business which had sales last year of £180m.

Lord Weir, chairman, said the purchase would enable the group to expand into a truly international business with a combined turnover of about £300m.

He added that it would offer the group an improved marketing and manufacturing capability worldwide and give the group's pump operations important critical mass.

The combined pump business will represent about 55 per cent of the enlarged group's sales and will increase Weir's presence in the North American market and expand other regional operations. Lord Weir said the deal should enhance earnings in 1996.

The US group, which employs 2,000 people, has plants in California, Missouri and operations in the UK, continental Europe, South America, Africa, Australia and Canada.

Its main worldwide markets are the mining and mineral processing, chemicals and refining, water and waste water, power and utilities and pulp and paper.

Last year the US gave rise to 44.2 per cent of operating revenues. Europe 25.3 per cent, Africa 14.3 per cent, South America 11.1 per cent and Asia/Pacific 4.5 per cent. **Results, Page 19**

Raymond Snoddy reports on a price war that looks set to continue into next year

Undaunted by hit to newspaper profits

News International, Mr Rupert Murdoch's main UK operating newspaper, has set its sights on taking the Times' circulation of more than 1m. In a further indication that price wars in the UK national newspaper industry are likely to continue, Mr Gus Fischer, News International's chief executive, said: "Obviously we would like to push it [the Times] in the same way as the Telegraph and beyond."

Average daily sales (million)

Quality market	1993	1994	% change
The Times	0.51	0.26	-49
Telegraph	1.01	0.41	-59
The Independent	0.28	0.26	-7
The Sun	0.20	0.20	0
Middle market	1993	1994	% change
Today	0.69	0.54	-22
Daily Express	1.26	1.49	18
Daily Mail	1.80	1.77	-2
Popular market	1993	1994	% change
The Sun	4.10	3.53	-14
Daily Mirror	2.50	2.57	3

Source: ABC

Average over six months to July

tees are not met, the move on rates implies that the newspaper price war is likely to last the rest of this year and probably well into next.

This means continuing difficulties for The Telegraph group, which admitted on Wednesday that its price cut had cost £1m in the first six days of the reporting period.

He claimed that the massive investments in plant, machinery and people in recent years would "keep us well ahead of the competition".

News International's turnover increased from £708.1m to £738.5m and profit after interest and tax from £11.5m to £16.5m.

The large increase was, however, attributable to a number of non-operating factors. A £78.8m contribution from associates came largely from BSkyB, the satellite television venture 50 per cent owned by News Corp.

There was also a book profit of £90m on the disposal of fixed assets - the transfer within the group, it is believed, of shares in Reuters, the news and information group, and in Pearson, owner of the Financial Times.

Not interest income amounted to £25.5m, up from £1.5m, again helped by transactions within the group.

Special dividend shareholders of News International will receive a final dividend of 20p, the equivalent of 1.5 Australian cents a share.

Overall News Corporation, which announced its results in Sydney yesterday, reported a surge in profits at two associated companies. BSkyB saw a small decline in earnings from core operations.

Advertising revenue is also increasing by 15 per cent on the News in the World, although there is no sign of a return to the popular Sunday tabloid or its other market-leading title, the Sunday Times.

Although News International could give advertisers the minimum circulation guarantee

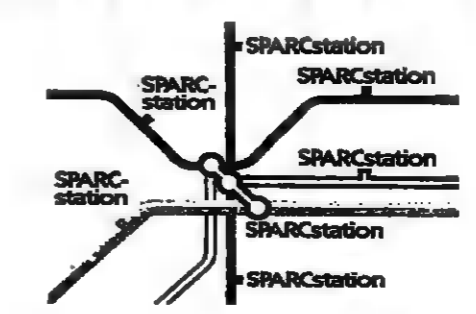
period. In addition, discount versions had been sold for a long time on promotion.

News International's commitment to its radical pricing policy emerged as the News Corp subsidiary announced its results for the year to the end of June. Its operating profits of £11.5m fell 14.2m before the impact of the price war.

Mr Fischer said: "The UK newspaper industry has been hit by a competitive and changing market."

MORSE

The City Network.



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السلامة

INTERNATIONAL COMPANIES AND FINANCE

Krupp Hoesch cuts loss to DM47m in first six months

By Michael Lindemann in Bonn

Krupp Hoesch, the merged steel and engineering group, yesterday said it had slashed losses to DM47m (\$29.90m) for the first six months, compared with a DM324m deficit for the same period last year.

The Essen-based group operated profitably during June for the first time since the merger in December 1992. It forecast a break-even by the end of the year and said that steel would be the only one of the six divisions to be making a loss, although it would be much lower than the DM780m loss reported in 1993.

Aggressive cost-cutting and savings created by bringing together complementary sectors within the group had helped the performance, a spokesman said.

The company said 11,041

workers, or 13 per cent of the workforce, in the 12 months to June 30 and said it would shed about 2,000 more before the end of the year. This would bring the workforce to around 70,000, down from about 95,000 at the time of the merger.

Strong exports and signs that the German market is pulling out of its worst post-war recession also aided the recovery. Turnover in the first six months rose 6 per cent to DM10bn, while group orders increased 12 per cent to DM11.2bn.

Steel sales, which make up about 30 per cent of group turnover, rose 3 per cent while orders climbed 18 per cent. However, industry sources said that while the upturn in the economy was reducing excess European capacity, demand still needed to improve before prices could recover.

Sales at the group's automotive division rose 10 per cent over the previous period while orders jumped 20 per cent to DM1.52bn, helped by better prospects for the European motor industry and by strong results from subsidiaries in Brazil, Mexico and the US.

Figures for the plant-making division, where sales leapt 58 per cent and new orders fell 18 per cent on the same period a year ago, reflected accounting practices with several large orders just booked. The group hopes to secure three large international contracts over the next six months.

The German Steel Federation said second quarter orders at German steelmakers totalled 10.3m tonnes, 19 per cent higher than a year earlier but slightly lower than the 10.4m tonnes ordered in the first quarter of this year.

Südzucker in frozen foods merger deal

By Judy Dempsey in Berlin

Südzucker, one of Germany's largest dairy, frozen food and baking companies, will merge its frozen foods operations division with Konsul Senator Schöller, the ice-cream group, Mr Klaus Fleck, Südzucker chairman, announced yesterday during the annual shareholders meeting.

Südzucker, which did not disclose the purchase price, said it would form a new company called Schöller Holding. Südzucker will hold a 85 per cent stake while the remaining stake 35 per cent stake will be held by Schöller.

Südzucker, which is based in Mannheim, made a net profit of DM151m (\$96.1m) in the year ended February 1994 and had a turnover of DM5.2bn. Mr Fleck said he expected the merger would boost Südzucker's group profit to DM6.4bn next year. These would further increase by DM1.5bn to DM7.9bn in 1995. Net profit would increase by DM50m to DM40m and DM50m.

The merger, which will be referred to the Federal Cartel Office, is expected to have sales of DM2.6bn in the year beginning February 1995 and will employ 10,000 people.

Logitech slides into the red

By Ian Hogg in Zurich

Logitech, the world leader in pointing devices (mice, trackballs) and computers, slumped in an SFR6.6m (\$6.51m) loss in the first six months to June 30 compared with a profit of SFR8.5m in the same period of 1993.

The directors blamed lower margins, high operating expenses and extraordinary charges for the setback.

Sales were down 7.9 per cent to SFR103.5m, with about half of the decline accounted for by currency effects. Restructuring charges of SFR2m contributed to the loss in the current period. There was a SFR3.1m capital gain in the comparative period.

Swedbank trims earnings forecast

By Hugh Carnegie in Stockholm

Swedbank, the Nordic region's largest bank by asset value, yesterday punctured some of the optimism returning to the Swedish banking sector by downgrading its full-year underlying earnings forecast because of worries over the state of the national economy.

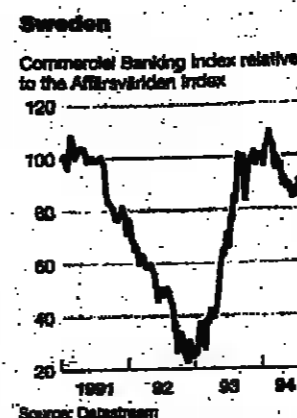
The bank reported a swing to an operating profit in the first six months of SKr1.75bn (\$223m) from a loss last time of SKr1.59bn, due to a 53 per cent fall in loan losses to SKr2.7m from SKr5.8bn in the same period last year.

The result followed a similar pattern to that announced earlier this week by Swedbank's main rivals, Skandinaviska Enskilda Banken, Handelsbanken, and Nordbanken, which all reported sharply improved profits due to lower loan losses.

However, Swedbank stressed that earnings before loan losses had been due to lower interest income, narrower margins and lower bond trading results. This was a feature shown by the other banks but overshadowed by the improvement in the loan losses which caused a crisis in the banking sector two years ago.

Swedbank said lower loan losses could produce a full-year operating profit. But it lowered its forecast for profits before loan losses (and excluding capital gains) to SKr5.5bn from its earlier prediction of SKr6.5bn. It said uncertainty about the economy, mainly stemming from high interest rates, threatened to spill over into house lending and summer credit market.

In the first six months, Swedbank's net interest income fell 18 per cent to SKr4.93bn from SKr5.99bn. Operating income before loan losses was ahead slightly at SKr4.48bn, but



Sweden
Commercial Banking Index relative to the All-Share Index

would have been down 15 per cent from last year's SKr4.2bn without a SKr1.58bn one-off capital gain.

The banks' results were hit by lower returns from their bond portfolios. But the impact was softened, compared with banks in other countries, by accounting practices allow the banks to

keep unrealised losses in the value of their investment portfolio out of the operating profit. Such losses are shown only at the year end as appropriations after operating profit. A beneficiary of this was Handelsbanken, which has increased its holdings of government securities and bonds by 10 per cent over the past year to soak up surplus liquidity. The bank said the value of its investment portfolio at the end of June was SKr2.7bn less than the purchase price.

Under Danish accounting rules, this would have wiped out Handelsbanken's reported SKr2.3bn half-year operating profit. Similarly, Nordbanken, which made a SKr2.46bn operating profit, would have been hit by SKr2.9bn in below-purchase price values of external and in-house bond holdings. The figure was SKr550m at SE-Banken, which reported an operating profit of SKr2.22bn and SKr1.6m at Swedbank.

GE confirms interest in Lindner

By Judy Dempsey

General Electric of the US yesterday confirmed that it was interested in acquiring a stake in Lindner, the German light-bulb maker.

General Electric's renewed interest in the company followed a decision earlier this week by Germany's Federal Cartel Office to reject a proposed takeover of Lindner by Philips, the Dutch manufacturer of light bulbs.

The cartel office argued the proposed takeover would

strengthen Philips' dominant position in the German market. Along with Osram, a subsidiary of Siemens, Philips holds 30 per cent of the German light-bulb market.

Philips yesterday said the company had not decided whether to appeal against the decision at the Kammergericht, Germany's appeal court.

"First we want to assess the decision by the cartel office and then we will see what we will do," the company added. The cartel office ruling could however clear the way for GE.

It said it had an interest in Lindner. Previous talks between the two ended by mutual agreement in October 1993.

GE said Germany was a very "strategic and important market for all of General Electric". Last year's turnover in the country's lighting market totalled \$600m.

General Electric Lighting, the German subsidiary of GE, has 9 per cent share of the German market. Worldwide sales for the 1993 year totalled \$1.1bn.

Toronto-Dominion Bank up 59%

By Robert Gibbons in Montreal

Toronto-Dominion Bank, Canada's fifth-largest bank, achieved a 59 per cent gain in third-quarter earnings.

The bank attributed the rise to a strengthening economy and improvement in its business loan portfolio.

Net non-performing loans dropped below \$1bn (US\$727m) for the first time since 1991 and the loan-loss ratio has been

reduced by C\$50m to C\$400m. Commercial property remains the main area of concern.

Profit for the three months ended July 31 was C\$162m, or 50 cents a share, against C\$102m, or 32 cents, a year earlier. Return on assets rose to 0.66 per cent from 0.49 per cent.

Nine-months' profit was C\$482m, or C\$1.52 a share, against C\$272m, or 87 cents. National Bank of Canada reported a 30 per cent gain in third-quarter earnings with

strong business and personal loan demand.

Net profit was C\$87.4m, or 29 cents, up from C\$47.3m, or 27 cents, a year earlier. Nine-months' profit was C\$159.9m, or 53 cents a share, up 21 per cent from C\$132.4m, or 78 cents.

Return on assets rose to 0.53 per cent from 0.46 per cent in the third quarter and to 0.50 per cent from 0.46 per cent in the nine months. Total assets at July 31 were C\$44bn, up 11 per cent from a year earlier.

Trelleborg returns to black in first half

By Hugh Carnegie

Trelleborg, the Swedish mining and metals group that is restructuring, yesterday reported a swing back to profit in the first half of the year.

It posted a pre-tax surplus of SKr351m (\$45m) after a loss of SKr528m in the same period last year. Sales were down to SKr9.57bn from SKr10.83bn mainly due to the disposal of disposals. But each of the four main divisions - mines and

smelters, rubber products, metal processing and distribution - sharply improved operating results. Lower operating costs, lower interest costs and contributions from associated companies produced the return to the black.

The company said a large rise in base metals prices - with the exception of zinc - helped the mines and smelters division, the biggest Trelleborg operation, rebound to a SKr30m operating profit from a

loss last time of SKr35m. Overall operating profits jumped to SKr424m from SKr105m.

A continuation of present metal prices and an expected further improvement in the other divisions promised "significantly better" group earnings in the second half, the group said.

Operating costs fell to SKr216m from SKr435m thanks to a SKr1.08bn fall in borrowings to SKr6.13bn and a lower interest rate. Trelle-

borg's guarantee commitment on loans of SKr1.1bn held by Falconbridge, the nickel producer, was reduced when Falconbridge used the proceeds of a share issue to pay off debt.

The share issue reduced Trelleborg's stake in Falconbridge to less than 30 per cent from 50 per cent. But improved results at Falconbridge still helped to push up Trelleborg's contributions from associated companies to SKr150m from a loss of SKr130m last year.

UK insurer advances to £131m

By Richard Lapper in London

Guardian Royal Exchange, the UK composite insurance company, provided more evidence of the strong recovery in the UK general insurance market when it announced interim trading profits of £198m, doubled from £99m last year.

After taking into account net interest and investment income of £417m, the group reported a pre-tax loss of £286m, against a profit of £307m. Unlike its main competitors, Guardian includes capital gains and losses in its

profit and loss account.

Mr John Robins, the group's new chief executive, said the decision to increase the interim dividend by 7.5 per cent to 2.85p reflected "not only the group's trading performance worldwide but also its sound balance sheet and strong cash generation".

A UK underwriting profit of £24m was "the engine behind the improvement", said Mr James Morley, finance director. Underwriting profits of £47m, up from break-even last year, were achieved on home, motor and other personal lines business, offsetting a £12m loss on

commercial lines, against £24m, and a £13m loss in London market compared with £1m.

Results benefited from premium rate increases, more selective underwriting and improved claims experience. In its motor business, frequency of claims has fallen from 30 for every 100 cars insured in 1991 to less than 25 in June 1994.

Mr Morley said Guardian Direct, the telephone insurer launched in March, received premium income of £2m against expenses and claims of £8m.

Lex, Page 15

Labroke set to buy casinos

By Peggy Hollinger in London

Ladbroke, the UK hotels, betting and DIY group, is expected to announce the return to the UK casino market next week, 15 years after being expelled from the business.

The group is expected to be planning to announce the acquisition of three London casinos for about £50m when it reveals its interim results.

Analysts are expecting Ladbroke to post pre-tax profits on Thursday of about £50m (£77.5m) for the first half, against £28.5m last time.



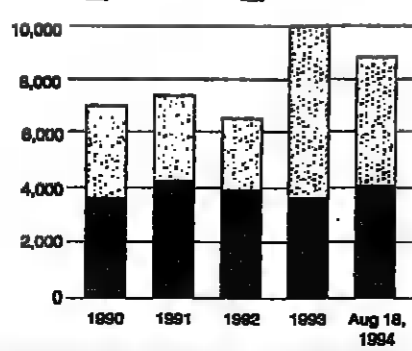
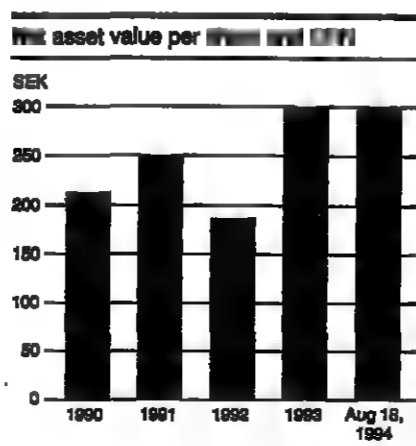
Interim Report January 1 - June 30, 1994

Consolidated earnings after financial items, but before gains on sales of stocks and other nonrecurring items, totaled SEK 403M (121). Including nonrecurring gains, earnings amounted to SEK 1,116M (430). This includes gains on the sales of subsidiaries or parts thereof, totaling SEK 234M (0), gains on sales of listed stocks, totaling SEK 325M (309), and dividend income of SEK 154M (0).

The value of the portfolio of listed stocks on August 18, 1994, was SEK 8.8 billion. Adjusted for purchases and sales, the value of the portfolio has decreased by 12 percent since the beginning of the year. The General Index has risen by 1 percent.

Net non-performing value as per August 18, 1994, has been calculated at SEK 300 per share and CPN.

The forecast for earnings for the full year 1994, calculated after financial items but before sales of stocks and other nonrecurring items, has been raised to 650-700M. Nonrecurring gains as per June 30 amounted to SEK 713M.



AB Industrivärden
Box 5403, S-114 Stockholm
Phone +46 8 64 00, Fax +46 8 661 46 28

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INTERIM RESULTS

FOR THE YEAR ENDING 31 DECEMBER 1994

"The Group is well positioned to participate in projects which reflect the expertise developed in its core businesses and it is firmly committed to a focused strategy and a policy of controlled growth of these businesses."

Hong Kong, 25 August 1994

Li Ka-shing
Chairman

Financial Highlights:

Turnover	US\$1,819 million
Profit attributable to the Shareholders	US\$482 million
Earnings per Share	US 3.4 cents
Dividends per Share	US 13.3 cents

Hutchison Whampoa Limited



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هناك الاموال

Bunds take inflation data in their stride

A stronger dollar, one of the main buttresses for Wednesday's rally, remained securely in place yesterday. The US currency was showing continued improvement against the yen and the D-Mark on the foreign exchange markets.

Japanese borrower launches \$500m issue

Coupon	Time	Speed	Feed
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WORLD BOND PRICES

	7.800	11/84	100-00	+17/82	7.47	7.48	7.50
SCU (French Govt)	8.000	04/04	84.8400	+0.200	8.39	8.42	7.84

Spain

UK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	30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44w	80.00	+0.07	80.95	80.00	386	88	44w	80.00	+0.07	80.95	80.00	386	88
45w	80.00	+0.07	80.95	80.00	386	88	45w	80.00	+0.07	80.95	80.00	386	88
46w	80.00	+0.07	80.95	80.00	386	88	46w	80.00	+0.07	80.95	80.00	386	88
47w	80.00	+0.07	80.95	80.00	386	88	47w	80.00	+0.07	80.95	80.00	386	88
48w	80.00	+0.07	80.95	80.00	386	88	48w	80.00	+0.07	80.95	80.00	386	88
49w	80.00	+0.07	80.95	80.00	386	88	49w	80.00	+0.07	80.95	80.00	386	88
50w	80.00	+0.07	80.95	80.00	386	88	50w	80.00	+0.07	80.95	80.00	386	88
51w	80.00	+0.07	80.95	80.00	386	88	51w	80.00	+0.07	80.95	80.00	386	88
52w	80.00	+0.07	80.95	80.00	386	88	52w	80.00	+0.07	80.95	80.00	386	88
53w	80.00	+0.07	80.95	80.00	386	88	53w	80.00	+0.07	80.95	80.00	386	88
54w	80.00	+0.07	80.95	80.00	386	88	54w	80.00	+0.07	80.95	80.00	386	88
55w	80.00	+0.07	80.95	80.00	386	88	55w	80.00	+0.07	80.95	80.00	386	88
56w	80.00	+0.07	80.95	80.00	386	88	56w	80.00	+0.07	80.95	80.00	386	88
57w	80.00	+0.07	80.95	80.00	386	88	57w	80.00	+0.07	80.95	80.00	386	88
58w	80.00	+0.07	80.95	80.00	386	88	58w	80.00	+0.07	80.95	80.00	386	88
59w	80.00	+0.07	80.95	80.00	386	88	59w	80.00	+0.07	80.95	80.00	386	88
60w	80.00	+0.07	80.95	80.00	386	88	60w	80.00	+0.07	80.95	80.00	386	88
61w	80.00	+0.07	80.95	80.00	386	88	61w	80.00	+0.07	80.95	80.00	386	88
62w	80.00	+0.07	80.95	80.00	386	88	62w	80.00	+0.07	80.95	80.00	386	88
63w	80.00	+0.07	80.95	80.00	386	88	63w	80.00	+0.07	80.95	80.00	386	88
64w	80.00	+0.07	80.95	80.00	386	88	64w	80.00	+0.07	80.95	80.00	386	88
65w	80.00	+0.07	80.95	80.00	386	88	65w	80.00	+0.07	80.95	80.00	386	88
66w	80.00	+0.07	80.95	80.00	386	88	66w	80.00	+0.07	80.95	80.00	386	88
67w	80.00	+0.07	80.95	80.00	386	88	67w	80.00	+0.07	80.95	80.00	386	88
68w	80.00	+0.07	80.95	80.00	386	88	68w	80.00	+0.07	80.95	80.00	386	88
69w	80.00	+0.07	80.95	80.00	386	88	69w	80.00	+0.07	80.95	80.00	386	88
70w	80.00	+0.07	80.95	80.00	386	88	70w	80.00	+0.07	80.95	80.00	386	88
71w	80.00	+0.07	80.95	80.00	386	88	71w	80.00	+0.07	80.95	80.00	386	88
72w	80.00	+0.07	80.95	80.00	386	88	72w	80.00	+0.07	80.95	80.00	386	88
73w	80.00	+0.07	80.95	80.00	386	88	73w	80.00	+0.07	80.95	80.00	386	88
74w	80.00	+0.07	80.95	80.00	386	88	74w	80.00	+0.07	80.95	80.00	386	88
75w	80.00	+0.07	80.95	80.00	386	88	75w	80.00	+0.07	80.95	80.00	386	88
76w	80.00	+0.07	80.95	80.00	386	88	76w	80.00	+0.07	80.95	80.00	386	88
77w	80.00	+0.07	80.95	80.00	386	88	77w	80.00	+0.07	80.95	80.00	386	88
78w	80.00	+0.07	80.95	80.00	386	88	78w	80.00	+0.07	80.95	80.00	386	88
79w	80.00	+0.07	80.95	80.00	386	88	79w	80.00	+0.07	80.95	80.00	386	88
80w	80.00	+0.07	80.95	80.00	386	88	80w	80.00	+0.07	80.95	80.00	386	88
81w	80.00	+0.07	80.95	80.00	386	88	81w	80.00	+0.07	80.95	80.00	386	88
82w	80.00	+0.07	80.95	80.00	386	88	82w	80.00	+0.07	80.95	80.00	386	88
83w	80.00	+0.07	80.95	80.00	386	88	83w	80.00	+0.07	80.95	80.00	386	88
84w	80.00	+0.07	80.95	80.00	386	88	84w	80.00	+0.07	80.95	80.00	386	88
85w	80.00	+0.07	80.95	80.00	386	88	85w	80.00	+0.07	80.95	80.00	386	88
86w	80.00	+0.07	80.95	80.00	386	88	86w	80.00	+0.07	80.95	80.00	386	88
87w	80.00	+0.07	80.95	80.00	386	88	87w	80.00	+0.07	80.95	80.00	386	88
88w	80.00	+0.07	80.95	80.00	386	88	88w	80.00	+0.07	80.95	80.00	386	88
89w	80.00	+0.07	80.95	80.00	386	88	89w	80.00	+0.07	80.95	80.00	386	88
90w	80.00	+0.07	80.95	80.00	386	88	90w	80.00	+0.07	80.95	80.00	386	88
91w	80.00	+0.07	80.95	80.00	386	88	91w	80.00	+0.07	80.95	80.00	386	88
92w	80.00	+0.07	80.95	80.00	386	88	92w	80.00	+0.07	80.95	80.00	386	88
93w	80.00	+0.07	80.95	80.00	386	88	93w	80.00	+0.07	80.95	80.00	386	88
94w	80.00	+0.07	80.95	80.00	386	88	94w	80.00	+0.07	80.95	80.00	386	88
95w	80.00	+0.07	80.95	80.00	386	88	95w	80.00	+0.07	80.95	80.00	386	88
96w	80.00	+0.07	80.95	80.00	386	88	96w	80.00	+0.07	80.95	80.00	386	88
97w	80.00	+0.07	80.95	80.00	386	88	97w	80.00	+0.07	80.95	80.00	386	88
98w	80.00	+0.07	80.95	80.00	386	88	98w	80.00	+0.07	80.95	80.00	386	88
99w	80.00	+0.07	80.95	80.00	386	88	99w	80.00	+0.07	80.95	80.00	386	88
100w	80.00	+0.07	80.95	80.00	386	88	100w	80.00	+0.07	80.95	80.00	386	88

BLIND FUTURES OPTIONS (LIVE)

control of 100%

Symbol	Price	Change	Volume	Open Int.	Est. vol.	Open Int.	Symbol	Price	Change	Volume	Open Int.	Est. vol.	Open Int.
44w	80.00	+0.07	80.95	80.00	386	88	44w	80.00	+0.07	80.95	80.00	386	88
45w	80.00	+0.07	80.95	80.00	386	88	45w	80.00	+0.07	80.95	80.00	386	88
46w	80.00	+0.07	80.95	80.00	386	88	46w	80.00	+0.07	80.95	80.00	386	88
47w	80.00	+0.07	80.95	80.00	386	88	47w	80.00	+0.07	80.95	80.00	386	88
48w	80.00	+0.07	80.95	80.00	386	88	48w	80.00	+0.07	80.95	80.00	386	88
49w	80.00	+0.07	80.95	80.00	386	88	49w	80.00	+0.07	80.95	80.00	386	88
50w	80.00	+0.07	80.95	80.00	386	88	50w	80.00	+0.07	80.95	80.00	386	88
51w	80.00	+0.07	80.95	80.00	386	88	51w	80.00	+0.07	80.95	80.00	386	88
52w	80.00	+0.07	80.95	80.00	386	88	52w	80.00	+0.07	80.95	80.00	386	88
53w	80.00	+0.07	80.95	80.00	386	88	53w	80.00	+0.07	80.95	80.00	386	88
54w	80.00	+0.07	80.95	80.00	386	88	54w	80.00	+0.07	80.95	80.00	386	88
55w	80.00	+0.07	80.95	80.00	386	88	55w	80.00	+0.07	80.95	80.00	386	88
56w	80.00	+0.07	80.95	80.00	386	88	56w	80.00	+0.07	80.95	80.00	386	88
57w	80.00	+0.07	80.95	80.00	386	88	57w	80.00	+0.07	80.95	80.00	386	88
58w	80.00	+0.07	80.95	80.00	386	88	58w	80.00	+0.07	80.95	80.00	386	88
59w	80.00	+0.07	80.95	80.00	386	88	59w	80.00	+0.07	80.95	80.00	386	88
60w	80.00	+0.07	80.95	80.00	386	88	60w	80.00	+0.07	80.95	80.00	386	88
61w	80.00	+0.07	80.95	80.00	386	88	61w	80.00	+0.07	80.95	80.00	386	88
62w	80.00	+0.07	80.95	80.00	386	88	62w	80.00	+0.07	80.95	80.00	386	88
63w	80.00	+0.07	80.95	80.00	386	88	63w	80.00	+0.07	80.95	80.00	386	88
64w	80.00	+0.07	80.95	80.00	386	88	64w	80.00	+0.07	80.95	80.00	386	88
65w	80.00	+0.07	80.95	80.00	386	88	65w	80.00	+0.07	80.95	80.00	386	88
66w	80.00	+0.07	80.95	80.00	386	88	66w	80.00	+0.07	80.95	80.00	386	88
67w	80.00	+0.07	80.95	80.00	386	88	67w	80.00	+0.07	80.95	80.00	386	88
68w	80.00	+0.07	80.95	80.00	386	88	68w	80.00	+0.07	80.95	80.00	386	88
69w	80.00	+0.07	80.95	80.00	386	88	69w	80.00	+0.07	80.95	80.00	386	88
70w	80.00	+0.07	80.95	80.00	386	88	70w	80.00	+0.07	80.95	80.00	386	88
71w	80.00	+0.07	80.95	80.00	386	88	71w	80.00	+0.07	80.95	80.00	386	88
72w	80.00	+0.07	80.95	80.00	386	88	72w	80.00	+0.07	80.95	80.00	386	88
73w	80.00	+0.07	80.95	80.00	386	88	73w	80.00	+0.07	80.95	80.00	386	88
74w	80.00	+0.07	80.95	80.00	386	88	74w	80.00	+0.07	80.95	80.00	386	88
75w	80.00	+0.07	80.95	80.00	386	88	75w	80.00	+0.07	80.95	80.00	386	88
76w	80.00	+0.07	80.95	80.00	386	88	76w	80.00	+0.07	80.95	80.00	386	88
77w	80.00	+0.07	80.95	80.00	386	88	77w	80.00	+0.07	80.95	80.00	386	88
78w	80.00	+0.07	80.95	80.00	386	88	78w	80.00	+0.07	80.95	80.00	386	88
79w	80.00	+0.07	80.95	80.00	386	88	79w	80.00	+0.07	80.95	80.00	386	88
80w	80.00	+0.07	80.95	80.00	386	88	80w	80.00	+0.07	80.95	80.00	386	88
81w	80.00	+0.07	80.95	80.00	386	88	81w	80.00	+0.07	80.95	80.00	386	88
82w	80.00	+0.07	80.95	80.00	386	88	82w	80.00	+0.07				

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*Top stock. ‡ Tax-free to non-residents on application. £ Auction bought. † Ex dividend. Closing mid-prices are shown in pounds.

1. *Journal of the American Medical Association*, 1997; 277: 1001-1005.

RECRUITMENT

JOBS: Many organisations are not tapping the drive and enthusiasm of graduates

Tired corporate bodies reject new blood

The seasonal emergence of thousands of university graduates on to the jobs market has initiated the annual debate among recruiters about their respective merits.

Typically, this appears as a series of gripes and moans about the graduates' quality and commitment. Graduates are either too complacent, too confident or too timid. It seems that they cannot win, no matter how they approach their job applications and interviews.

Once through the door, full of vigour, eager to prove themselves, how often do they find themselves reined in and told they must walk before they can run? How many have their confidence undermined by older hands ready to focus on mistakes but sparing with praise when a job is well done?

These are some of the comments collected by a Glasgow-based employment consultancy. A graduate working in consulting said: "I joined the company and I had a brilliant training course and then I just wasn't given anything to do. There were a load of us who were all assigned together and, all right, we had a good laugh, sat there playing cards all day, but it's not really how you anticipate spending your first months with a company."

Another said: "Something I found quite strange was that the whole idea of recruiting externally was to bring bright new blood in, new

ideas. But anybody who goes against conventional ideas and traditions finds it just works against them. It's very much a case of don't rock the boat and you'll do fine."

Such negative experiences are far too common, according to Yellowbrick, the consultancy which collected them. Instead of focusing on the merits of graduates, it has chosen to study the different approaches to their employment. The resulting report - Delivering the Promise - concludes that many organisations have become complacent about the recruitment of graduates and do too little to maximise their potential.

The company conducted interviews with graduate recruits and personnel departments in 11 private and public sector organisations, reflecting a broad spread of which between them responsible for recruiting 2,000 graduates a year.

It found that selecting graduates is an expensive business. A recruitment cost of £25,000 per graduate is a realistic figure, says the report, although estimates among different employers ranged from £5,000 at the

low end to as much as £40,000. When salary, training and overhead costs are included, a new graduate will cost an employer in excess of £100,000 over the first three years, says Yellowbrick.

You might expect, with that kind of outlay, companies would give the same thought to developing their graduates as to a new product range. Instead, many employers appear to take the view that graduates are wet behind the ears and know nothing. Whether it has anything to do with the generation gap or fading memories of youth, some managers continue to harbour resentment, even hostility, towards the product of universities.

The result in such workplaces is that enthusiasm and drive are less likely to be tapped than drained away. But why recruit them at all if your approach is the corporate equivalent of putting in the tea?

The report says graduates are recruited for three reasons: their future potential and prospects in senior management; their intelligence and knowledge to do an immediate job; and for their

injection of new ideas and energy. In spite of this, companies often fail to live up to the expectations of graduates, sometimes leading to disillusionment, an early move and a loss to the employer of the front-end investment in their careers. If companies portray themselves at the recruitment stage as fast moving and dynamic and fail to deliver this image in reality, they can expect a negative response from their graduates, says Yellowbrick.

The report finds that those companies which expect a lot of their graduate recruits receive the highest returns in terms of performance. "Graduates arrive at an organisation with up to date knowledge, fresh creative potential, yet often this is ignored because the ideas may be put across in the wrong way," says Colin Graham, a Yellowbrick partner. "The challenge is to help these recruits communicate their ideas in a way that can benefit the employer."

He adds: "We asked every company when they expected the graduate make a significant contribution. Between six and 18 months was the standard reply but one company

we went to replied: 'Day two'." This meant that on their second day in their new job a group of young recruits would be given a project brief and budget of up to £100,000.

Graham commends the approach: "Graduates come to their new jobs with high expectations and these play an important part in their performance, attitudes and habits."

Since, according to a Department of Employment study, graduates spend, on average, only three years in their first job, it perhaps makes sense to make the most of them without delay.

While Graham concedes graduates would require further training specific to the particular job - sometimes because they need professional qualifications - the research had found the longer graduates were treated as trainees, the more likely they were to act as trainees.

Prof Charles Handy, whose books on the organisation of work have inspired new approaches to employment and management, says in support of the findings: "It has always

seemed amazing to me that companies go to a lot of trouble to recruit the brightest of the bright and do nothing to use their brightness."

One of the main reasons for under performance of graduates, says the report, was poor management. "They should be assigned to competent professional managers who can give them responsibility while at the same time extending them the support they need," says Graham, who advises companies to carry out regular appraisals. "Graduates are used to continuous appraisal and they find it a useful source of encouragement."

Apart from its criticisms, the report found good practices worth highlighting. It identified SmithKline Beecham, the pharmaceutical group, and GKN, the engineering company, as having particularly effective graduate development policies. The cream of the SmithKline Beecham graduates from its worldwide recruitment is channelled into a fast track programme.

This allows them to tour its international offices, visit plants, develop new ideas and reporting directly to the main board.

The top two or three trainees from this group will then be promoted to a comparatively senior post, something like the post of marketing director of a Latin American subsidiary, in their mid 20s.

The report points out that companies such as GKN which take a long-term strategic view towards graduate employment have had far better results from their training programmes than those which turn their recruitment on and off with short-term economic fluctuations.

Unless companies approach their graduate recruitment in an organised, structured way they can only blame themselves if they see their promising youngsters walking out of the door to a competitor at the first opportunity. It is not simply investment, it can also be a loss to a company's reputation. Word of mouth employment conditions around among young people with fresh university networks.

These new graduates may prove to be your best job advertisements for next year's crop. Respect their achievement, put them to good use and it quickly.

The full report, Delivering the Promise, can be obtained from Yellowbrick, Suite 1, Block 5, Templeton Centre, Glasgow G40 1DA. (Tel: 041 554 5503).

Richard Donkin

Assistant Director

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ACCOUNTANCY COLUMN

Role of auditing submerged by small print

Roger Davis argues that the profession needs to take more heed of clients' demands than standards

It is time that the auditing profession stopped hiding behind technicalities and faced up to the need to make its service more relevant to its clients.

British industry has a stake in the auditing profession. Company audits some £2bn annually. Audited accounts affect all major business decisions. Auditing firms train many of the brightest in an industrial career. The auditor is a valuable independent source of advice to management.

It is therefore a great mistake that industry's interests are largely being ignored in the long-running debate on the role of auditing. My firm's recent surveys show that what company directors increasingly want from their auditors are the courage to constructively challenge them about their stewardship, innovative ideas, and, above all, a commercial outlook.

Instead of immersing itself in developing a plethora of accounting auditing rules which, frankly, getting fed up. The first UK accounting standard had nine pages, the latest has 137.

Dependence on a litany of technical jargon from somewhere the other side of the ocean layer will seriously deprecate the asset prized most by company directors: the auditors' independence of mind to tell the board, from their wide professional experience, what they really think.

We have a disconnection of major proportions. And if the more strident academics have their way, the audit would become a highly regulated activity. The auditor-director relation-

ship would become adversarial. Far from enhancing the value of audit to directors, shareholders and, else, compliance with the rules would become the end in itself. It would be demoralising to the outlook of young people joining the profession.

What we need to do is encourage expansion of the auditor's mind, and not of the rule book. I am ashamed to say that the academics do not need much encouragement. Auditing firms themselves have been asking for more rules. It is partly a self-induced weakness to avoid having to make difficult judgments in a competitive climate.

But others must also take their share of the blame. Time was when the auditor's words "my judgment" were invariably respected. Now all too often the response is "Show me the rule which says we can't do it," not only from company directors but from lawyers and from financial institutions peddling artificial accounting schemes.

Auditors' fears about litigation are now taking a real grip on this mentality. It is safer to be able to say in court that you complied with all the rules. I did not join my profession to become the involuntary equivalent of a Lloyd's Name, or even worse to underwrite risks the commercial insurance market will not touch. But by signing an audit report today, that is increasingly the position I am in: risking being unjustly sued.

The debate is far from academic. A creeping legalistic mentality in the profession will be debilitating to industry and the economy. Commercial decisions are increasingly taken with an eye over the auditor's

towards how they will look in the accounts. But a 100-page accounting or auditing standard will not define a good financial judgment any more than it will an elephant.

There will be greater encouragement to short-termism because of the loss of flexibility to account for the longer term substance of decisions. It will be debilitating to the auditor's mind-set: tidying figures into the right boxes diverts the auditor's focus from the underlying commercial performance.

Not least, it will weaken the commercial outlook of graduates the profession trains for industry, many of whom, unlike other countries, join the profession with non-accounting degrees.

Colleagues in other countries have gone further down the path than we have. In the United States, there are now 117 accounting standards and hundreds of other official pronouncements. There are, for example, references to lease accounting in 99 accounting regulations.

In most of continental Europe, the legal form of accounts, often driven by the tax regime, is a dominant factor, as it is for Japan. But all still have business scandals. The detailed standards do not appear to have stopped them.

No one can argue against greater comparability of accounts - which is one purpose of the standards. But there is no absolute in comparability. The only question is how far do we go? International comparability has to

be the goal, but the chances of this diminish as each country goes on expanding its own accounting lexicon.

The British created accountancy as a real profession in which experienced professional judgment counted more than theory. It led much of the world. It is time for my profession to wake up and realise we now face the greatest challenge in our history to retain our relevance to the business community.

The inescapable choice is either to continue on the slide to a legalistic profession or for the profession to do something about it. I am encouraging all my partners to carry out a simple test in boardrooms. At every board meeting or audit committee we attend to the results of the audit, we should say to the directors: "On a points scale of 0 to 10, this is what we think about the quality of your profits and the quality of the balance sheet."

This is how much of your profits have come from making widgets, that is, much has come from financial schemes. And, as the final test of quality, we have compared the profits with the cash flow and that is how much is in the bank."

Equally, on the subject of internal controls, I suggest that we tell directors the five most important things they need to put right. The idea is simple, and because of this it works. Every director joins in the discussion.

The directors are beginning to throw back similar questions to us. "On a points scale of 0-10 how do our accounts overall compare with best practice?" is a recent quote I heard. The answer we gave of 8% was not

acceptable. "I don't deal in halves, and there is a big difference between 8 and 9 in my view," the director said, thus putting pressure on the auditor to come off the fence.

It is this kind of simple question and answer test which reflects the mood of the great majority of boardrooms around the country. It accords with the business-like way in which directors run their meetings.

A major problem remains: that a lot of unproductive time still needs to be spent on accounting minutiae. Because the rule book is already so long, the auditor has painstakingly to explain interpretations of the standards, and to discuss other potential hostages to fortune which may be referred to the regulator by those with axes to grind.

Auditors need to convey in everyday language to non-accountants in the boardroom what they really think as a result of thousands of hours of audit effort. The benefit of all this effort is easily lost in five minutes they have to make their impact - which is about the length of time it takes to read the first couple of pages of the latest accounting or auditing standard.

In summary, the profession needs to reposition itself away from its narrow compliance mentality towards being a genuinely independent, professional adviser, challenging boards in the everyday commercial language of business. We should be in the crowd's nest warning of icebergs, not below decks busily defining what an iceberg looks like.

The author is head of audit at Coopers & Lybrand



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For further information please contact the firm's recruitment consultant Martin Chivers at Badenoch & Clark, 16-18 Bridge Street, London EC4V 3EF. Tel: 071-585 0075 or 0255 891225 out of office hours. Fax: 071-585 9908.

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You will be a qualified accountant, ideally with extensive retail experience gained either through the finance exposure, leading an established internal/operational audit department; or, through substantial relevant client exposure at Senior Manager level from within the profession. Additionally, you will be commercially and operationally orientated, with the presence, maturity and communication skills to quickly establish yourself with Group and Divisional senior executives. In particular, through your retail knowledge, you will have the insight, intuition and instinctive "second sense" for areas requiring special focus.

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	Int. Charge	Dom. Price	Ext. Price	Int. Price	Ext. Price
USA Investment Services (Guernsey) Ltd					
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US\$ 500,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 1,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 2,500,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 5,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 10,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 25,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 50,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 100,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 250,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 500,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 1,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 2,500,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 5,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 10,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 25,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 50,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 100,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 250,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 500,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 1,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 2,500,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 5,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 10,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 25,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 50,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 100,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 250,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 500,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 1,000,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 2,500,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
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US\$ 10,000,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 25,000,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
US\$ 50,000,000,000,000,000	1.0000	1.0000	1.0000	1.0000	1.0000
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GUERNSEY (REGULATED)^(*)

[illegible]**IRELAND (REGULATED) (M)**[illegible]

IRELAND (SIB RECOGNISED)

[illegible]**ISLE OF MAN (SIB RECOGNISE)**[illegible]

ISLE OF MAN (REGULATED)(*)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY REGULATED™

Company Name	Price	Change	% Chg
Banking and Finance			
Bank of America	52.00	+0.00	0.00
Bank of New York	48.00	+0.00	0.00
Bank of Montreal	45.00	+0.00	0.00
Bank of Toronto	42.00	+0.00	0.00
Bank of the West	40.00	+0.00	0.00
Bank of the South	38.00	+0.00	0.00
Bank of the North	36.00	+0.00	0.00
Bank of the East	34.00	+0.00	0.00
Bank of the West	32.00	+0.00	0.00
Bank of the South	30.00	+0.00	0.00
Bank of the North	28.00	+0.00	0.00
Bank of the East	26.00	+0.00	0.00
Bank of the West	24.00	+0.00	0.00
Bank of the South	22.00	+0.00	0.00
Bank of the North	20.00	+0.00	0.00
Bank of the East	18.00	+0.00	0.00
Bank of the West	16.00	+0.00	0.00
Bank of the South	14.00	+0.00	0.00
Bank of the North	12.00	+0.00	0.00
Bank of the East	10.00	+0.00	0.00
Bank of the West	8.00	+0.00	0.00
Bank of the South	6.00	+0.00	0.00
Bank of the North	4.00	+0.00	0.00
Bank of the East	2.00	+0.00	0.00
Bank of the West	1.00	+0.00	0.00
Bank of the South	0.50	+0.00	0.00
Bank of the North	0.25	+0.00	0.00
Bank of the East	0.10	+0.00	0.00
Bank of the West	0.05	+0.00	0.00
Bank of the South	0.02	+0.00	0.00
Bank of the North	0.01	+0.00	0.00
Bank of the East	0.00	+0.00	0.00
Bank of the West	0.00	+0.00	0.00
Bank of the South	0.00	+0.00	0.00
Bank of the North	0.00	+0.00	0.00
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Bank of the West	0.00	+0.00	0.00
Bank of the South	0.00	+0.00	0.00
Bank of the North	0.00	+0.00	0.00
Bank of the East	0.00	+0.00	0.00
Bank of the West	0.00	+0.00	0.00

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CURRENCIES AND MONEY

MARKETS REPORT

Focus on CBI survey

The Swedish krona and the Danish krone were yesterday the most active currencies in an otherwise quiet day on the foreign exchanges, writes Philip Genth.

Markets have struggled to develop direction in the absence of any important news in the UK, at least, this should change today with the release of the CBI's monthly trends survey. The price expectations figure will be closely watched, for a hint of the likely outlook for UK interest rates.

In Scandinavia, markets are increasingly influenced by political factors, with Sweden facing a general election on September 18, and the date for a Danish election undecided.

The Swedish krona finished at SKr4.933 against the D-Mark, from a close on Wednesday of SKr4.931. Earlier it had fallen to a low of SKr4.925 on rumours of a downgrading of Swedish debt.

The Danish krone ended at DKr3.965, from DKr3.967, after earlier weakening to DKr3.964. The dollar was firmer, helped by support from the Bank of Japan. It finished at \$1.0511 from \$1.0510. Against the D-Mark it rose half a cent to DM2.405 from DM2.400.

There had been a quiet day, finishing slightly down against the dollar, at \$1.0508. Against the D-Mark it fell half a cent to DM2.397 from DM2.400.

The gyrations in the Danish krone appeared to owe more to concerns about the timing of the forthcoming election, than to Wednesday's release of the draft 1995 budget. A rumour doing the rounds suggested that the government might be planning a snap election in September, rather than waiting until November, as had generally been assumed.

Mr Jouni Kokko, international economist at S.G. Warburg in London, said the budget "fundamentally peaked" around current levels. Japanese officials, however, were more cautious, with a senior official at the Ministry of Trade and Industry in Tokyo saying that he was "not optimistic" about an early trade deal with the US.

Danish krone

Against the D-Mark (DKr per DM)

3.965

3.960

3.955

3.950

3.945

3.940

3.935

3.930

3.925

3.920

3.915

3.910

3.905

3.900

3.895

3.890

3.885

3.880

3.875

3.870

3.865

3.860

3.855

3.850

3.845

3.840

3.835

3.830

3.825

3.820

3.815

3.810

3.805

3.800

3.795

3.790

3.785

3.780

3.775

3.770

3.765

3.760

3.755

3.750

3.745

3.740

3.735

3.730

3.725

3.720

3.715

3.710

3.705

3.700

3.695

3.690

3.685

3.680

3.675

3.670

3.665

3.660

3.655

3.650

3.645

3.640

3.635

3.630

3.625

3.620

3.615

3.610

3.605

3.600

3.595

3.590

3.585

3.580

3.575

3.570

3.565

3.560

3.555

3.550

3.545

3.540

3.535

3.530

3.525

Mr Carl Weinberg, chief economist at High Frequency Economics in New York takes a similar line. Noting that the US trade gap had widened, relative to a year previously, in all but one of the last 28 months, he commented: "As long as the US trade balance remains unbalanced, it will take substantial capital flows - generated by substantial interest rate differentials and strong bond returns - to finance that gap. Thus the dollar needs bigger marginal changes than the Fed indicated last week to hold it up."

The sterling market had another quiet day, but the release of the CBI survey will give it more to chew on. In his meeting with the chancellor on July 6, Mr Eddie George, governor of the Bank of England, noted that "the CBI price expectations indicator has risen in the past been a good leading indicator of producer prices."

Another high balance - following on plus 12 in June and July - would increase expectations of a near term rise in interest rates. Mr Hawkins of Bank of America said the expectation of higher rates tended to help sterling. Should the market believe, however, that the Bank is "behind the game" in fighting inflation, it may sell the currency.

The Bank of England provided late afternoon news of £270m to UK money markets. It did not operate in the morning and afternoon rounds, after forecasting a shortage. Overnight money flows between 4 and 5% per cent.

In Germany, traders said call money was being bid down aggressively, with most rate occurring at 4.8 per cent, below the 4.85 per cent repo rate.

The market was unsure whether the German inflation data - prices rose by 1 per cent, year-on-year to August - helped or hindered the case for lower rates.

Analysts said the firmers optimism that a breakthrough would be achieved in US-Japan trade talks by the end of September deadline. Dollar bulls also took comfort from the comments of Mr Fred Bergsten, the influential US economist, who said the yen had "fundamentally peaked" around current levels.

Japanese officials, however, were more cautious, with a senior official at the Ministry of Trade and Industry in Tokyo saying that he was "not optimistic" about an early trade deal with the US.

POUND SPOT FORWARD AGAINST THE POUND

Aug 25	Closing	Change	Day's	One	Three	One	Bank
	mid-price	on day	high	month	months	year	of
				Rate	Rate	Rate	Exp. Index
Europe	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Australia	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Canada	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
France	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Germany	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Italy	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Japan	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
South Korea	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Switzerland	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Taiwan	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
USA	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Asia	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Latin America	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
South Africa	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200
Other	1.5200	+0.0005	1.5195	1.5200	1.5200	1.5200	1.5200

1994 rate for Aug 25. Dollar spot rates in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling rates are quoted in £100. Other rates are quoted in \$100. All rates are for 100% per annum.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 25	Closing	Change	Day's	One	Three	One	Bank
	mid-price	on day	high	month	months	year	of
				Rate	Rate	Rate	Exp. Index
Europe	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Australia	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Canada	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
France	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Germany	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Italy	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Japan	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
South Korea	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Switzerland	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Taiwan	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
USA	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Asia	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Latin America	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
South Africa	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511
Other	1.0511	+0.0001	1.0510	1.0511	1.0511	1.0511	1.0511

1994 rate for Aug 25. Dollar spot rates in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Dollar rates are quoted in \$100. Other rates are quoted in £100. All rates are for 100% per annum.

CROSS RATES AND DERIVATIVES

EXCHANGE RATES

Aug 25	Open	High	Low	Set. vol	Open int.
Belgium	12.22	12.22	12.22	12.22	12.22
Denmark	82.00	82.00	82.00	82.00	82.00
France	11.57	11.57	11.57	11.57	11.57
Germany	1.5200	1.5200	1.5200	1.5200	1.5200
Italy	1.5200	1.5200	1.5200	1.5200	1.5200
Netherlands	1.5200	1.5200	1.5200	1.5200	1.5200
Portugal	1.5200	1.5200	1.5200	1.5200	1.5200
Spain	1.5200	1.5200	1.5200	1.5200	1.5200
Sweden	1.5200	1.5200	1.5200	1.5200	1.5200
Switzerland	1.5200	1.5200	1.5200	1.5200	1.5200
Taiwan	1.5200	1.5200	1.5200	1.5200	1.5200
USA	1.0511	1.0511	1.0511	1.0511	1.0511
Japan	1.0511	1.0511	1.0511	1.0511	1.0511
South Korea	1.0511	1.0511	1.0511	1.0511	1.0511
Other	1.0511	1.0511	1.0511	1.0511	1.0511

Yen per 1000, Danish Krone, French Franc, Norwegian Krone, and Swedish Krona per 100, Belgian Franc, British Pound, and Swiss Franc per 100.

D-MARK FUTURES (DM 125,000 per DM)

Open	High	Low	Set. vol	Open int.
0.6467	0.6467	0.6467	0.6467	0.6467
0.6461	0.6461	0.6461	0.6461	0.6461
0.6461	0.6461	0.6461	0.6461	0.6461

SWISS FRANC FUTURES (Sfr 125,000 per Sfr)

Open	High	Low	Set. vol	Open int.
0.7674	0.7674	0.7674	0.7674	0.7674
0.7672	0.7672	0.7672	0.7672	0.7672
0.7672	0.7672	0.7672	0.7672	0.7672

JAPANESE YEN FUTURES (Yen 12.5 per Yen 100)

Open	High	Low	Set. vol	Open int.
1.0191	1.0191	1.0191	1.0191	1.0191
1.0194	1.0194	1.0194	1.0194	1.0194
1.0205	1.0205	1.0205	1.0205	1.0205

STERLING YEN FUTURES (Yen 100,000 per £)

Open	High	Low	Set. vol	Open int.
1.6036	1.6036	1.6036	1.6036	1.6036
1.6040	1.6040	1.6040	1.6040	1.6040
1.6040	1.6040	1.6040	1.6040	1.6040

THREE MONTH EURO CURRENCY (DM 100,000 points of 100%)

Open	High	Low	Set. vol	Open int.
92.02	92.02	92.02	92.02	92.02
92.02	92.02	92.02	92.02	92.02
92.02	92.02	92.02	92.02	92.02

THREE MONTH EURO CURRENCY (Sfr 100,000 points of 100%)

Open	High	Low	Set. vol	Open int.
92.02	92.02	92.02	92.02	92.02
92.02	92.02	92.02	92.02	92.02
92.02	92.02	92.02	92.02	92.02

THREE MONTH EURO CURRENCY (Yen 100,000 points of 100%)

Open	High	Low	Set. vol	Open int.
92.02	92.02	92.02	92.02	92.02
92.02	92.02	92.02	92.02	92.02
92.02	92.02	92.02	92.02	92.02

THREE MONTH EURO CURRENCY (Yen 100,000 points of 100%)

Week Ago	12 Mo	3 Mo	6 Mo	12 Mo
\$ LIBOR FT London				
Interbank Fxg	-	■	■	■
bank con	-	■	■	■

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